

A Text Book on  
Marketing and Salesmanship  
(Volume I )

ELEMENTS OF MARKETING

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Ever since the introduction of vocational courses in the school system in our country, paucity of instructional materials has been felt as one of the major constraints in the implementation of the vocational programme. This has also been a source of great hardship to pupils offering vocational courses at the higher secondary stage.

To fill up this void, the Department of Vocationalization of Education has taken up a modest programme for the development of instructional materials of diverse type in all the major areas of vocational education. It is hoped that the model materials being developed by us would provide guidance and impetus to the authors and agencies desiring to contribute in this area.

The present textbook is developed for the students of class XI of the course 'Marketing and Salesmanship', according to the revised NCERT syllabus of 1989. The book is divided into three volumes, each one catering to the three different vocational papers of Class XI of the course. These are : Vol.I : 'Elements of Marketing' ; Vol.II : 'Elements of Salesmanship' and Vol.III : 'Elements of Retailing'.

The draft of this book was developed through a series of workshops attended by experts and teachers from different parts of the country who have vast experience in the area of Marketing and Salesmanship. The first workshop was held in collaboration with National Productivity Council, at the Productive House, NPC, New Delhi, from 5th to 7th October, 1989. In this workshop, the 'chapterisation scheme' and 'guidelines for authors' were finalised and allocation of the chapters was made to the expert authors.





The authors were requested to prepare the draft chapters and submit them within a period of two months. The chapters thus received were reviewed in the subsequent workshops, held in collaboration with the Department of Commerce and Management Studies, Sukhadia University, Udaipur from 20 to 27 January 1990 and Himachal Pradesh University, Shimla, from 16 to 21 May 1991. The contributions of the authors and experts (names listed in the Appendix) is greatly acknowledged.

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Dr.Davinder K.Vaid, Reader, Department of Vocationalization of Education deserves special thanks for coordinating the project, contributing chapters for all the three parts of the book and ensuring and bringing the book to the press.

The present volume is an experimental edition and needs try-out and feedback. Therefore, comments and suggestions are solicited from pupils, teachers, experts and evaluators for the improvement of the book. For this purpose, two questionnaires are appended with a request to the users and experts to complete and return them to us at their earliest convenience.

The book would be revised in the light of the comments and suggestions received and would then be published in the printed form.

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## CHAPTER - I

### Marketing : An Introduction

#### Learning Objectives:

After reading this chapter, you should be able to:-

1. explain the meaning of 'marketing';
2. distinguish between 'marketing' and 'selling';
3. describe the concepts of marketing;
4. list/<sup>out</sup> important functions of marketing;
5. examine the role of marketing in the development of an economy; and
6. appreciate the role of marketing in a firm, to the society and to consumers.

#### 1.1 Introduction

The present chapter takes up to explain the meaning of the term marketing, as distinguished from 'selling'. It also describes the role of marketing and the important functions performed by it. Further, it analyses the concepts of marketing and narrate the important features of the modern concept of marketing.

#### 1.2 What is Marketing

Consider some of our daily activities. These include going to our place of work (or study), visiting markets, listening radio, watching television and so on. We are exposed to innumerable advertisements on radio and television as well as in newspapers and magazines. We are also approached by door to door salesmen and sales girls who try to persuade us to buy certain product or service. At times we participate in free-gift schemes organised by local shopkeepers and also take part in various sales contests and promotion schemes offered by different companies. We often visit business and trade fairs. All the activities are performed

on our part for the purchase of goods and services and on the part of the market.

Why do marketers perform such activities as development of product, pricing it, making it available for consumers, promoting its sales and so on. Perhaps these activities are necessary for their survival and growth in business. Through these activities, the business organisations seek to stimulate demand for their products and satisfy human needs and wants and at the same time earning a profit. In other words, these activities help in directing flow of goods from producers to consumers.

In the light of the above, the term marketing may be described as the performance of business activities that direct the flow of goods from producers to consumers. Many people feel that marketing is a post-production activity only. That is, it begins after the production of goods. This is not correct. Marketing is not only a post-production activity but also many activities that are performed even before goods are actually produced. For example, activities such as identification of customer needs and wants, collection of information to develop the product, designing suitable product package and giving it a brand name are performed before commencement of the actual production. The functions that are related to the process of marketing may, thus, be summed up as follows:

- (1) identifying customer needs and wants;
- (2) planning and developing the product or services to satisfy such needs and wants;
- (3) communicating or informing customers about the availability of the product or the service;
- (4) making the products available to customers at the places

- (5) giving the product at a price which is affordable by customers and at the same time profitable to the marketer.

Furthermore, marketing is not merely a business phenomena. That is, it is not confined to business organisations. Marketing activities are equally relevant to non-profit organisations such as Family Planning Organisation, Post and Telegraph Department, Schools and Colleges, Hospital, etc. It helps these organisations in achieving their goal such as spreading the message of family planning, improving the literacy standards of people providing medication to the sick, and so on.

Thus, marketing can be defined as the group of activities which are performed to achieve organisational goals (such as earning profit) by satisfying customer needs and wants through the flow of need-satisfying goods, services and ideas from the marketer to the buyer. This definition is analysed in Exhibit-1.

Exhibit-1: What is marketing

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Marketing is	:	business activity (ies)
which, consists of	:	product, price, promotion and physical distribution of:
		1                      2                      3
		goods                  services      and      ideas
performed in order to	:	satisfy customer needs and wants
through the	:	exchange process
with the aim to	:	accomplish the organisation's goals

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1. Goods	:	Fan, Bulb, Soap, Textile
2. Services	:	Banks, Hotel, Hairdressing, Railways
3. Idea	:	Family Planning, drug addiction, Dowryless Marriage
4. Place	:	Sri Nagar, Udaipur, Shimla

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The major concepts which appear in the definition of marketing are:

(a) Need and Want:

A need is a state of felt deprivation a feeling of being deprived of something. If unsatisfied, it leaves a person unhappy and uncomfortable. For example, in winters, without woollens we feel uncomfortable because of cold. Similarly on getting hungry, we become uncomfortable and start looking for objects that are capable of satisfying our hunger i.e. food. In these circumstances, a marketer's job is to identify the needs and develop products and services that satisfy those needs.

Needs are basic to human beings and do not pertain to a particular product. Wants, on the other hand, are culturally-defined objects that are potential satisfiers of needs. In other words, human needs are shaped by factors such as culture, personality, etc. For example, the need for food, for example, may take various forms such as want for dosa and rice for a south Indian, chapati and vegetables for a north Indian and burger and french fries for an American.

(b) Product and Service.

A product is a bundle of utility or source of satisfaction, that can be used to satisfy human needs and wants. It is not confined to the physical object such as car, biscuit, bulb and pen. But it also refers to any other thing of value such as services, ideas, that can be offered to the potential buyer for their use / consumption. As used in the marketing literature, anything that can be of value to the buyer is termed as a 'product'. It can be tangible-which can be felt, seen and touched physically such as a fan, pencil etc. or intangible such as services



(c) Exchange

As described above, all marketing activities are directed at actualising potential exchange of goods and services between buyers and sellers. Exchange is the core concept of marketing. It is therefore, essential to understand the meaning of exchange and the process of exchange.

Exchange refers to the process through which two or more parties come together to obtain desired product or service. In other words, exchange is an act of obtaining the desired object from someone offering the same by giving something in return. For example, a person feeling hungry may get food by offering to give money or some other product to someone who is willing to accept the same for food.

In the modern marketing world, goods are produced at various centres of production and distributed over a wide market through a series of exchanges. The goods move from place of production to place of consumption, passing through various middlemen, involving exchange at different levels of distribution. These exchanges take place between the producer, wholesaler, retailer and the consumer. But in order to understand this concept fully, it is necessary to know the elements of voluntary exchange. These are given below:

1. Involvement of atleast two parties viz., the buyer and the seller;
2. Each party should be capable of offering something of value to the other, say product or service;
3. The parties should have ability to communicate and deliver the product or service;
4. The parties should have freedom to accept or reject other party's offer; and
5. They should be willing to enter in transaction with the other party.

In the traditional sense, the term 'market' refers to a place where buyers and sellers meet for the purpose of exchanging the exchange of any good or service. It is in this sense that this term is being used in common, day to day language, even today. The other ways in which this term is being used is, in the context of a product market (cotton market, gold or share market), geographic market (national and international market), type of buyers (consumer market and industrial market), and the quantity of goods transacted (retail market and wholesale market).

But in modern times, the term market has a broader meaning. It refers to a set of actual and potential buyers of a product or service. For example, when a weaver weaves a piece of cloth and offers it for exchange, the moment he finds someone who is willing to offer some value for it we can say there is a market for that product.

Marketing is a process of working with the market to actualise potential exchanges by bringing together products as value satisfactions on the one hand and needs and wants on the other. It essentially involves development of products and services that are valuable to the consumer and making them available to them so that they can satisfy their needs. Thus marketing refers to all those activities that are aimed at satisfying human needs and wants through the exchange process.

### 1.3 Selling versus Marketing:

Some people confuse 'selling' for 'marketing'. They consider them two terms as one and the same. Marketing refers to a large set of activities of which selling is just one part. For example, a department of televisions in a retailer marketing the sale, does a lot of

... televisions

to be produced, the price at which it would be sold and the distribution outlet for the same. In short, marketing involves whole range of activities relating to planning, pricing, promoting and distributing the product that satisfy customers needs.

The function of selling, on the other hand, is concerned with the promotion of goods and services. It involves persuasion of customers through salesmanship, advertising, publicity and short terms incentives (in the form of sales contests, free gifts, samples, etc.) in order to ensure that product is bought.

The major bases of difference between selling and marketing may, therefore, be stated as below:

1. Selling is only a part of the process of marketing, and is concerned with promoting and transferring possession and ownership of goods from the seller to buyer. Marketing is much wider term consisting of a number of activities such as identification of customer needs, developing a product to satisfy these needs, fixing price, <sup>and</sup> /persuading the potential buyers to buy the same. Thus selling is merely a part of marketing.
2. The main focus of selling is on affecting transfer of title and possession of goods from sellers to buyers. In contrast, marketing activities put greater thrust on achieving the maximum satisfaction of the customer's needs and wants.
3. All the selling activities are directed at maximising the sales and, thereby, the company's profit. Thus a selling organization accords highest importance to sales maximisation in order to achieve the desired profit. Marketing, on the other hand, is basically concerned with customer satisfaction and thereby increasing its long run profit. A marketing organisation, therefore, attaches highest importance to customer satisfaction as a route to profit earning.

4. The selling function in an organisation is generally handled by a sales department. In contrast, marketing is generally the responsibility of the higher level management.
5. Selling puts greater emphasis on the needs of the seller (seller satisfaction), whereas marketing emphasises the need of customer (customer satisfaction).

#### 1.4 Marketing Philosophies Or Concepts

Marketing is not new to the business; it has existed since ancient times. In the early stages of business, however, inadequate attention was paid to marketing as a function of business. But with the change in the marketing environment over the years the management thinking has substantially changed. The relative weight given to the interests of the organisation, the customer and the society has changed over the years. For example, during the earlier days of industrialization, greater emphasis was put on the scale of production and improving the methods of production and distribution. As against this, the modern management philosophy puts more attention on customer satisfaction as a means of achieving the organisations goal.

The evolution of modern marketing philosophy can be traced as follows:

- (i) Production orientation;
- (ii) the product orientation;
- (iii) the selling orientation;
- (iv) Marketing orientation, and
- (v) societal marketing orientation

A brief description of each of these is given below:

##### 1.4.1 The Production Orientation

This business philosophy dates back to the beginning of the 20th century when most businesses were small and rather unorganised.

During these days, there were small number of sellers and the demand exceeded the supply. It was believed that profits could be maximised through producing at a large-scale, thereby reducing the average cost of production. It was assumed that consumer would favour those products which were made available to him at a price which he can afford to pay. Therefore, greater emphasis was placed on improving production and distribution efficiency so that products are made available at lower prices. Thus, availability and affordability of the product were considered to be the key to the success of the firm.

#### 1.4.2 The Product Orientation

With the arrival of more sellers in the market the mere availability and low prices of the product could not ensure survival of the firm. With an increase in the supply of products consumers started preferring products which were superior in quality, performance and features. Therefore, it was believed that firms should put greater emphasis on production of quality products and continuously keep on improving the same so as to survive and grow. The product concept accorded due importance to product quality.

#### 1.4.3 The Sales Orientation

With the passage of time, the marketing environment underwent further change. The increase in the scale of business further improved the position with respect to supply of goods, resulting in increased competition among sellers. The product quality and availability did not ensure the survival and growth of firms because of the large number of sellers selling quality products. This led to more importance given to attracting and persuading the customer to buy the product. The selling concept thus assumes the customer would not buy, or not buy enough, unless he is adequately convinced and motivated. Thus, the use of promotional techniques, such as advertising, personal selling and sales promotion were considered essential for selling of products.

#### 1.4.4 The Marketing Orientation

An earlier business philosophy of sale, product and production orientation as described in the preceeding paragraphs emphasised 'sale of product', 'quality, price and availability', and 'promotional efforts', respectively. But on a careful analysis of the situation it is found that these orientations take only one sided view of the exchange situation. What was being ignored was the contemporary market environment. Market superiority built over factors such as quality, price and selling efforts can easily be duplicated by the competitors. Therefore, it was felt necessary to orient efforts of the firm so that its offering gets nearer to the customer needs and wants. This led to the adoption of marketing concept.

The marketing concept holds that key to achieving firm's goals is to identify needs and wants of the prospective customers and to satisfy them more effectively and efficiently than the competitors. The marketing-oriented firms, therefore, engage in the following tasks:

- (1) Identification of customers' needs and wants;
- (2) Developing the products and services that satisfy the customer needs and wants;
- (3) Performing these activities in a better way as compared to the competitors.

#### 1.3.5 The Societal Marketing Orientation

The marketing concept, as described above, cannot be considered to be an adequate business philosophy when social problems like environmental pollution, deforestation, shortage of resource, population explosion and inflation, pose a big challenge to the business. It is so because any activity which satisfies human needs but is detrimental to the interest of the society at large

cannot be justified. The business orientation should, therefore, not be short-sighted to serve only the immediate needs. It should also consider large issues of long term social welfare. This led to the adoption of societal marketing accepted by certain marketing firms.

The societal marketing concept holds that the task of an organisation is to identify the needs and wants of the target market and deliver the desired satisfaction in an effective and efficient manner so that the consumers' and the society's long term well being is taken care of. Thus, the societal marketing concept is the extension of the marketing concept supplemented by the concern for the long term welfare of the society.

#### 1.5 Functions of Marketing

Marketing is basically concerned with the delivery of goods and services to buyers in such a way that maximises the satisfaction of customers' needs and wants. The marketing process requires moving goods and services from the place of production and supply to the place of consumption. In this process, a number of activities and functions are performed. These activities and functions include buying, selling, transportation, storage and warehousing, standardisation and grading.

These are explained as follows:

##### (a) Buying

Buying is one of the most important functions in all business organisations. This function is carried out by different people such as manufacturers, wholesalers, retailers, and consumers at various levels in the process of marketing.

A business firm may be engaged in the manufacture of certain products or assembling those which are manufactured by some other firm. In both the cases, purchase of raw materials, manufactured

goods, components, etc., are the integral parts of the functioning of such firms. As such, the efficiency of such firms in achieving their objectives is greatly influenced by the effectiveness with which this function is performed.

The various tasks involved in the process of performing this function includes planning of purchases, determining price, quantity, time and frequency of purchase, selection of source of supply, placing of order and so on. The objective is to make available right type of goods, at right time, in right quantity and at minimum possible cost.

(b) Selling

The importance of the function of selling in the process of marketing can be seen from the fact that the real objective of all marketing activities in a firm is to achieve final sale of goods and services. Selling refers to the process of exchanging marketable goods and services with customers for consideration. It involves finding customers and transferring the ownership of products to them. It is a broad function which includes promotion of the products through tools like advertising, personal selling, free gifts, displays, etc.

(c) Transportation

Transportation involves physical movement of goods from one place to the other. The users of a product are generally wide spread and are geographically separated from the place it is produced. In order to make the goods available at the place where it is needed for consumption or use, it is necessary to move the same from one place to the other. Some of the goods have to be transported thousands of miles in order to reach the ultimate market. For example cotton fabrics produced in a mill at Madras have to be transported throughout the country to reach the ultimate buyers. Similarly wheat produced in Punjab has to be transported not only within the state but to some far off places like Tamil Nadu or Kerala where it is needed.



A firm may have to choose from a variety of modes of transportation, which may be classified into four groups - air (aeroplane carrier), road (trucks, lorries etc.) water (ships, etc.) and railway. All these modes have relative advantages and limitations. For example, transportation by air is the speediest mode but it is very costly and may not be suitable for high volume and low value items. Similarly ship may be economical but a very slow mode of transportation. A marketing firm should, therefore, analyse its needs taking into consideration various factors like nature of product, cost, location of target market and so on and then only decide about which mode of transportation should be chosen.

(d) Storage or Warehousing

Usually there is a time gap between the production or procurement of goods and their sale or use. It may be because of irregular demand for the products (say in the case of products like woollen garments or raincoats or cold storage items) or there may be irregular supply because of seasonal production (say in the case of agricultural products like rice, wheat, cotton, etc.). In order to maintain smooth flow of the products in the market, therefore, there is an inevitable need for proper storage of the products. Further, adequate stock of goods is needed to protect against unavoidable delays in delivery or to meet out contingencies in the demand.

In the process of marketing, the function of storage is performed by different agencies such as manufacturers, wholesalers, retailers, etc.

Some of the important decision areas in respect of storage of goods include cost of storage, choice of location of warehouses, and quality of maintenance of stocks. The main objective of this activity is to minimise the costs and maximise the benefits of storage.

(e) Standardisation and Grading

Standardisation refers to the process of producing a product, which provides specification of its various dimensions such as quantity, quality, size and nature. Standardisation of products, therefore, refers to producing goods of predetermined specification, which helps in achieving uniformity and consistency in the output. By ensuring that goods would conform to the predetermined standards of quality, price and packaging the marketing firms help the buyers by reducing the need for inspection, testing and evaluation of the products.

Grading is the process of classification of products into different groups on the basis of some of its important characteristics such as quality, size, etc. Grading is particularly necessary for products which are not produced according to predetermined specifications; say in the case of agricultural products like wheat, rice, oranges, apple, etc. Grading helps both the marketers as well as the buyers. To the buyers, for example it ensures that goods belong to a particular quality and to the sellers, it helps in realising higher prices for high quality output.

(f) Financing

Provision of finance is necessary for all business activities and marketing is no exception. In the marketing of goods and services, financing is needed for various activities such as for the purchase of products, maintaining adequate inventory of the products, for promoting the products to the consumers, and so on. Marketing intermediaries like wholesalers and retailers, for example, need credit and finance to carry out their operations. Retailers of consumer goods, particularly those located in the rural areas, generally have to use consumer credit to attract customers. Similarly,

large number of high value products like trucks, machinery, etc., need to be extended easy credit facilities, in order to boost their sales. Thus financing is an important activity performed by the marketers of goods and services.

(g) Risk Taking

Risk taking means bearing uncertainties during the process of marketing of goods and services. A marketing firm has to carry risks of various types during all the stages of marketing from the stage of generation of product idea to development of the product, its commercial production, its final sale to customers, and realization of money. The risk of loss may be due to physical damage of the product (such as pilferage, destruction, spoilage, etc.) or there may be fluctuations in the demand due to economic conditions or because of some technological innovation, some improved product might come to the market rendering the old products obsolete (for example the photocopying machine has given way to xerox machine or 36 W tube lights have affected the demand for ordinary 40 W tube lights). Similarly, when the goods are sold on credit, there is considerable uncertainty about the receipt of money from the creditors. The marketer, must, therefore, calculate the risks posed by various factors and attempt to minimize the same by careful planning of its operations.

(h) Marketing Information

The process of marketing calls for taking at various decisions at different levels. For example we want to market a new brand of detergent powder. The important decisions that need to be taken in this regard include what type of package should be used?; Whether the product would be sold under a brand name or a generic name?; What would be the price of the product?; What channel of distribution would be used in order to reach the target market?; How would the product be promoted, and so on. In the absence of a

scientific basis which uses quality marketing information the chances of the firm's success being high will be minimum. It is, therefore, necessary to collect appropriate information and base the decisions on it. The important areas in respect of which information is collected includes customer needs and wants, market share of rival sellers, income levels, price levels, etc.

Marketing information is collected through various sources such as annual reports of companies, government publications, journals, trade associations and directly from the respondents such as potential customers, members of the channels of distribution, and others.

#### 1.6 1.6.1 Role of Marketing

All marketing organisations operate either to earn profit or pursue some other goals such as community service, improvement of quality of life. Whether it is a profit organisations or a non-profit organisation, marketing plays an important role in achieving its objective. From the point of view of a consumer, marketing helps in raising his standard of living by making available the products and services that satisfy his needs and wants. It also plays a significant role in the economic development of a nation. The role of marketing in different situations may be described in brief as follows:-

##### 1.6.1 Role in a Firm

The modern concept of marketing plays a significant role in achieving the objectives for the firm. It emphasises that customer satisfaction is the key to organisational survival and growth in the contemporary competitive marketing environment. By adopting the marketing orientation, an organisation, whether profit making or non-profit making, can achieve its goals in the most effecting

manner. It helps in focussing an organisations activities on the needs and wants of the customer. For example what products or services will be marketed by a firm will depend upon what do the customers need. An analysis of the needs of the customers shall be undertaken in order to decide what to produce and sell. The product will be designed according to the needs of the potential buyers, it will be made available through the outlets convenient to customers and be priced at a level which the target customers can afford. In other words, marketing as a business philosophy, helps in serving the customers by satisfying his needs. And it is a well known fact that a satisfied customer is the most valuable asset of the firm. If he is not satisfied, the customer will never turn to the firm for buying the product. Thus, marketing plays crucial role in firms survival and growth.

#### 1.6.2 Role in An Economy

Marketing plays a significant role in the development of a economy. It acts as a catalyst in the economic development of a country and helps in raising the standard of living of the people.

Development of a nation can be judged by the level of standard of living of its people. Another important criteria, which is of course related to the first one, is the per capita income of an average citizen of the country. On this basis, an underdeveloped country may be stated to be one which is characterised by factor like poverty, scarcity of goods and services, predominance on agriculture.

Before discussing how marketing as a business activity can influence the level of economic advancement of a country, it is necessary to understand the reasons for its under development. The major reason is that the country is unable to utilise its natural resources - both human and non-human, in an effective way.



It is due to the low level of economic and industrial activities, resulting in low incomes, heavy dependence on primary occupations like agriculture, lack of investment and savings, etc. Consequently, people produce-less, earn-less, save-less and consume-less. In this way, the economy is caught in a vicious circle of poverty.

Marketing can play very significant role in the economic development of nation. It can inspire people to undertake new activities, and to set up enterprises for producing goods that are needed by the customers. It can also help in overcoming obstacles posed by high prices due to imbalance in production and consumption. Further, it can ensure smooth flow of goods through efficient physical distribution arrangement. In other words, marketing helps in finding out right type of products and services that a firm should manufacture or supply, the place where it should make such products available for consumption. Moreover it help in setting the price at which the product is to be sold and in establishing channels through which the product would flow to the ultimate place of consumption. This linkage between the business centres and the consumption centres accelerates the economic activity in the country, leading to higher income, more consumption and increased savings and investment.

#### 1.6.3 Marketing and the Consumer

Marketing plays a significant role in a maximising customers' satisfaction and benefits. Customers want availability of a wide variety of goods and services so that they can exercise choice between the alternatives. They also want that the products should be reasonably priced, have good quality, and be made available at convenient locations. They also expect that the sales people should be honest, well behaved and the firms should enforce proper guarantee and after sales service.





Marketing is concerned with the flow of goods and services from place of production to place of consumption. This results in the increased availability of variety of goods. As the thrust of marketing is on customer satisfaction, due emphasis is laid on product quality, guarantees and after sales services.

Marketing oriented firms do not thrust their products on customers by false, misleading and unscrupulous business practices. Instead, such offers are honestly created that fit into the need structure of the customers. Thus there is a greater commitment to customer sovereignty and supremacy.

#### 1.6.4 Marketing and the Society

Is marketing know-how relevant for business organisations only? Is the application of marketing tools and techniques confined to the exchange of goods and services? In the recent years, in many western countries (especially in the United States) marketing has been vigorously applied in the non-business area to facilitate achievement of larger societal goals. Various governmental agencies and non-profit organisations employ a marketing approach to promote socially desirable causes. The programmes are evolved on marketing principles to promote causes/ideas like child immunization, education, environmental protection, children spacing, small family, wildlife conservation, ecology, etc. These programmes are launched on the same pattern as the new products are launched in the market by the business organisations. Many social evils envelop our society such as child marriage, dowry, bias against girl child, drugs, terrorism, communalism, etc. Marketing is also applied to effect change in the attitude of people. With the scientific use of advertising and other means of promotion, socially desirable ideas could also be marketed as efficiently as other products and services.



Without the adoption of marketing approach, all programmes of social change can cause heavy resource wastage. This may happen because the market and its characteristics may be disregarded. The product offering doesnot fit in buyer's need structure, communications do not reach target market (because of various barriers such as language, media, etc.) and channels of distribution are not geared to meet the challenge. Government of India, for example, now employs marketing approach in the promotion of the family planning programme. To communicate benefits of small family, family planning devices are distributed through channels that penetrate into rural market; such products are made which are easier to use and do not involve any complications and so on. To sum up, marketing in the recent past has been applied in a big way in the promotion of overall well being of the society.

#### 1.7 Summary

Business organisations are engaged in the production and distribution of goods and services. Thus they have to perform many activities such as advertising, distribution, sales promotion, packaging, pricing, research and development, etc. It is through these activities that business creates offerings that satisfy customer needs and wants at a profit. Marketing, therefore, refers to business activities consisting of identifying the needs of buyers, developing a product which satisfies the customers need, pricing it at a level which the customers can afford, promoting it and making it available at a place where the customers would like to buy.

Marketing is often confused to be same thing as 'selling'. However both these terms are different. Marketing is a broad term and selling is only a part of it. Selling emphasizes the needs of the seller and is related to disposal of goods with the



help of advertising, persuasion and sales promotion activities. Marketing on the other hand aims at satisfying customer needs and wants. While selling activities start after development of the product, marketing activities start with identification of customer needs and wants. Selling is seller satisfying process whereas marketing is a customer satisfying process.

Over the period of time, business have been governed by various philosophies, which has changed with a change in the marketing environment. In other words marketing as a corporate philosophy and concept has evolved through various stages. These are (i) 'production concept' which assumed that making products affordable and widely available is the key to success; (ii) 'product concept' which assumed that the key to survival in the market place is product quality; (iii) 'Selling concept' which believed that in addition to quality and availability, selling efforts are necessary to attract customers; (iv) 'marketing concept' which assumes that key to survival in the market place is the creation and delivery of desired level of satisfaction to customers and finally the 'societal concept' which believes that customer's need satisfaction is not enough for the survival and growth in business. The impact of business activities on society should also be taken into consideration.

Marketing involves delivery of need satisfying goods and service. In this process a number of functions are performed by the marketers. These include buying, selling, transportation, storage, warehousing, standardisation and grading, financing, risk taking and collecting marketing information.

Marketing plays an important role in the success of a firm. It helps a firm in competing in the market place. Non-marketing oriented firms find it difficult to compete because their market offerings do not fit in the need structure of the customers. As a result they are not geared to meet competitive challenge. At the

level of an economy, marketing plays catalyst's role in its economic development. It breaks the barrier that exist in the distribution channels, marketer's ability to produce, and entire-preneurial development. It accelerates the level of business activity in the country by establishing marketing flow between production and consumption.

Marketing also leads to maximization of customer benefits. It makes available wide variety of quality goods and services at competitive prices. In the recent past, marketing tools and techniques have been applied in the promotion of socially desirable values and ideas like communal harmony, adult literacy etc., and fighting abuses like child marriage, dowry, drug abuse, etc.

#### 1.8 Review Questions

1. What is marketing? Explain briefly the marketing process.
2. How does marketing differ from selling? Does marketing reduces the need for selling? Explain.
3. What are the different marketing concepts? As a salesman, which concept would you like to follow in a competitive situation and why?
4. Marketing starts with identification of customer needs<sup>and goes up</sup> to the final delivery of goods. What are the important marketing functions performed in this process?
5. "Marketing is not only relevant for business organisations. It also plays an important role in many other areas". Elucidate this statement.

#### Project Work

Please choose any of the common use consumer product such as toilet soap, detergent powder, toothpaste etc. Find out the different companies that compete in the market of these products. Also collect promotional material used by them in the form of advertisements, packages etc. and find out how one company differ from another in terms of its marketing practices.

## CHAPTER - II

### Marketing Environment

#### Learning Objectives:

After reading this chapter, you should be able to:

1. describe marketing environment and its role;
2. list out the components of marketing environment;
3. enumerate the environmental factors affecting the marketing of goods and services;
4. describe the important characteristics of marketing in India; and
5. examine the opportunities and challenges existing in the Indian marketing environment.

#### 2.1 Introduction

In the previous chapter you have studied about the meaning and role of marketing. You have also examined the different concepts of marketing as evolved over a period of time, because of changes in the marketing environment. This chapter describes the various aspects of the marketing environment which have an impact on the marketing of goods and services by a firm. It examines the challenges and opportunities in the Indian marketing environment and discusses the important characteristics of marketing in India.

#### 2.2 Meaning and Significance

The term 'environment' refers to the context within which a business firm operates. It is the sum total of forces and entities that are external and potentially relevant to the working of business enterprises.

A marketer must understand the environmental forces affecting his business as he has to continuously face such forces. For example, a cloth retailer may find that the demand for some of his items is declining while the demand for certain other items has substantially increased. He also experiences that from time to time new products continue to flow in the market and replace some of the old products. Sometimes there is a rise in the prices and the customers are unable to buy the products. At other times, products are not available and customers complain about their non availability. All these events are caused by factors which are outside the control of the marketer and are referred to as the environmental factors. As a salesperson has to constantly operate within the limits set by the environmental factors, he cannot afford to ignore such factors. He should have a thorough understanding of the impact of these factors on the sale of their products.

For studying the role of environmental factors on the performance of marketing activities, our interest is not confined to the business unit and its environment alone. Instead, we are interested in the interaction between the two. Such an interaction can be viewed through the perspective of the science of ecology.

Ecology is the study of the mutual relations among organisations and their environment. Classical examples of ecosystems are - Algae, fish, Polar bear, the Eskimo, etc. It is interesting to note how these creatures of nature live and adjust, grow and perish with the changing environmental conditions.

Business units also operate and adjust, succeed and fail with the changing environmental conditions. We can, therefore, say that environmental variables play a very important role in the performance



of marketing activities. This role becomes more significant by the fact that the environmental variables are never constant. They always keep on changing. A seller has, therefore, to operate in a constantly dynamic environment.

A proper understanding of environmental forces helps the manufacturers, wholesalers and retailers in adapting their activities according to changes in the environment. For example, a retailer would like to make changes in the product items that he keeps in his stock, according to the changes in the style, fashion and preferences of the consumers. If he does not do that, he will soon be out of the business. On the other hand, the individuals or the firms which adjust their marketing strategies according to the changing environment of business have all the chances of success and growth in their business.

### 2.3 Components of marketing environment

As described in the previous section, environment consists of all outside factors which actually influence or have the potentiality to influence the marketing operations of a firm. The important components of environment may broadly be categorised into two groups:

1. Micro-Environment; and
2. Macro-Environment

The Micro-Environment of a firm refers to those factors which are in its immediate vicinity or the factors which are internal to the organisation. For example, activities of the marketing department of a firm are influenced by the policies and functioning of its other departments such as the production department or the finance department. Let us say, the marketing department wants to spend a particular amount on advertisement of the products. As the responsibility for arranging finances for that lies with the finance department, it has an influence on the decision about the amount to be

spent on advertisement. In the same way, the delivery of the products as well as its quality would largely be influenced by the efficiency and capabilities of the production department. Thus, anything happening in any other department of the firm may have its impact on the functioning of the marketing department. Some of the other factors influencing the internal marketing environment include morale of employees, values and perception of top management, labour-management relations, policies of personnel departments etc. The marketing department has therefore, to take care of these factors as these have the potentiality of influencing its activities.

The Macro-Environment of a firm refers to those factors which lie outside the vicinity of an organisation. There are a large number of macro-environmental factors, such as social and cultural factors, economic factors, demographic factors, physical factors, etc., which have an influence on the functioning of an organisation. The detail about these factors have been given in the succeeding section. However, it should be noted that while the influence of the micro factors is restricted to a firm, the influence of macro environmental factors is common to all the firms within an industry. The micro factors can be controlled by the management but the macro environmental factors are outside the control of a firm. For example, with its efforts, the management of a firm can improve the quality of its products or change its policy with regard to sale of goods on credit but it can't change say, the per capita income of the target customers or the birth rate or the death rate in the country. It can, however, develop its strategies according to the prevailing marketing environment. Thus, an understanding of the macro environmental factors is very important for a firm for achieving its marketing objectives.

## 2.4 Environmental Factors

The multifarious factors in the macro environment of a firm may broadly be classified into six categories. These are:

- (a) Social and cultural factors;
- (b) Economic factors;
- (c) Demographic factors;
- (d) Physical factors;
- (e) Technological factors, and
- (f) Legal and political factors.

### (a) Social and Cultural Factors

Social factors influencing the marketing environment include social norms and traditions such as marriage system, family composition and social customs and ceremonies. These factor affect business activities to a great extent. For example, some of the items purchased at the time of marriage in a family are radio, television, dress material, furniture, golden jewellery, wrist watches, etc. The demand for these products increase during the marriage season. Similarly, some of the products are more in demand during the festival season such as during Diwali, Baisakhi, Id, Christmas, etc.

Cultural environment, on the other hand, includes such factors as religious beliefs, values, customs, etc., of the people. These values are inherited by one generation from the other. In other words, these are the values that one learns from his elders. For example, how one dresses himself or what food does he eat is something that he learns from his elders. The cultural values may differ from person to person depending upon two important factors, viz., religion and geographic location. Thus we find that the food habits of a person living in North India differs from that of the one living in South India. Similarly, certain things are considered good in one religion but not so in the other religion. For example,

black is considered auspicious in Muslim religion but it is treated as colour of mourning in the Hindu religion. The sales people have to take these differences into consideration while designing strategies for the marketing of their products and services.

(b) Economic Factors

The economic factors influencing the marketing of goods and services include the 'gross national product (GNP)', 'national income', 'per capital income', 'money supply', and 'value of money'. Whether a product would be purchased or not would depend upon whether the target group of customers have sufficient money to buy it. This is greatly influenced by the level of income of the people and their capacity to spend. For example, in India about 40% per cent of the people are very poor who spend most of their earnings on buying food items. However, there is a small section of the population (about 10 per cent) who are rich and can spend money on luxury and comfort items. But if we consider their size in absolute numbers, it is quite large. Thus while forecasting demand for a product, these factors should be carefully considered.

Similarly, during inflationary conditions, a major part of the income of people belonging to lower middle class gets eroded and they stop purchasing costly and non-essential products. Thus, every marketing firm must analyse the economic factors influencing the sale of its products and services.

(c) Demographic Factors

Demographic factors include the population and its characteristics such as density of population, ratio of males and females, age wise distribution of people, birth and death rates and health and literacy levels. The total population of a region or a country constitute its total market for different products and services.

Demographic environmental factors are perhaps the most important variables influencing the marketing activities of a firm. Thus, every firm must analyse these variables and adjust its marketing strategies accordingly. For example, the firms marketing products used by children must take into consideration the decrease in the birth rate as, in the long run, it is going to affect demand for their product.

(d) Physical Factors

Physical environment comprises of the land, soil, water resources, climatic conditions, forests and other natural resources in an area. Physical conditions greatly influence the living conditions and habits of people living in an area. For example, people living in cold areas need more woollen cloths. They also require housing and other facilities to suit their climate. People living in hot climate or places having heavy rainfall on the other hand, need different type of clothing, housing, etc.

The management of a firm must also consider the impact of its activities on the physical environment such as the level of pollution of air, noise, water, etc. and on the health of society in general and customers in particular.

(e) Technological Factors

In this age of revolutionary growth and changes in human knowledge, technological environment is changing at a very fast pace. In case of some of the products, the technological changes are so fast that it would not be wrong to say that a sort of environmental turbulence condition is prevailing. For example, the technical know-how for amplification of weak electrical signals has developed five times within the last few decades.

It has changed from vacuum tubes to transistors to miniaturised circuits to micro miniaturised chips on optical fibres. The reasons for quick changes include more emphasis on scientific research by R&D departments in big companies. New technologies pose problems and challenges as well as open newer opportunities for the marketers.

#### (f) Political and Legal Factors

Legal and political factors affecting marketing of goods and services include Government's regulatory measures in the field of prices, distribution, product and quality. All business firms have to perform their marketing activities strictly in accordance with the regulatory framework. For example, the manufacturers and marketers of drugs and pharmaceuticals have to comply with various legal formalities. They cannot produce a drug unless authorised by the drug controller; they can not freely fix the prices as they have to strictly comply with the price controls; and they can sell the ethical drugs to consumers except on the prescription of a qualified doctor. Thus, there are strict government regulations in respect of almost all the aspects of marketing of pharmaceutical products in the country. Similarly there are certain restrictions in other industries too. A marketer must take into consideration all these aspects while planning strategies for the achievement of the marketing objectives of his firm.

Political factors also play a very important role in the marketing of goods and services. Especially with a change in the Government many policies affecting the trade and commerce also change. For example, with the installation of the present, Narendra Modi Government, lot of liberalisations in the industrial policy have been introduced. The industrial licences have virtually been scrapped; lot of import duties have been given to increase the exports; and many restrictions have been removed in order to curtail the import. All these changes bring in many challenges as well as opportunities before the marketing firms.

## 2.5 Characteristics of Indian Market

Geographically India is the seventh largest country and in terms of total population, the second largest country in the world. It has a very large potential market for almost all types of products. This is of great interest to the marketers throughout the world.

An understanding of the nature of the market and its characteristics would, therefore, be of great help to the marketers in planning the marketing strategies in respect of products, prices, promotion and distribution of goods. This would also help in matching the firm's products to the needs of the customers. The present section, therefore, takes up to describe some of the peculiar characteristics of the Indian market. These are as follows:

### A. Population

India is the second largest market in the world, after China. According to the 1991 census, the total population of India is estimated to be about 84 crores. The population density is 267 persons per square kilometre, which of course varies from state to state, depending upon the topography, climate and the level of economic development. Among the states, the density of population is highest in Kerala (747), followed by West Bengal (766) and Bihar (497), while it is very low in Mizoram (33), Sikkim (57) and Nagaland (73). This shows that there is a great potentiality for the marketing of various products in the country.

### B. Age Composition

In India, there is a very large children's market as they constitute about two fifth of the total population. This represents a vast potential market for products and services needed by children. There is also a substantial youth market in the country

as the population ranging between 20 and 39 years of age constitute about 20 per cent of the total. Percentage of teenage market, (between the age group of 15-19 years) is about 9 per cent.

According to 1991 census, the rate of literacy in India is 52.11 per cent. Out of this, male literacy is 63.86 per cent and female literacy is 49.42 per cent. This data further reveals that there exists a large market for different types of products for both young as well as old, literate and illiterate, males and females, and so on.

#### C. Vast Rural Market

Out of the total Indian population of more than 84 crores, a vast majority (above 70 per cent) lives in villages. There are approximately 5.76 lakh villages and 2643 towns in the country. The country has 12 metropolitan cities with a population exceeding 10 lakhs. Thus, there exists a vast rural and urban market for various products and services.

#### D. Income Level

The market potential of a product ultimately depends on the purchasing power of consumers in a country. The purchasing power, in turn, is largely dependent on the national and per capita income and on the consumption and savings level in the country.

The national income of India in the year 1984-85 was estimated to be Rs. 17,441 crores (at 1970-71 prices) and the per capita income for that year was Rs. 771.5. Notwithstanding its low level compared to the developed countries, both national income and per capita income have been steadily rising on account of the country's development process. This has resulted in great opportunities for marketing of great number of products and services.



#### E. Competition

In terms of competition, the Indian market is characterised by sectoral imbalances. For such products for which there are no shortages, there is a growing competition in the market. For example, in products such as toilet soap, soft drinks, fabrics, toothpaste, television, cigarettes and certain processed foods, there is lot of competition among the marketers. This is evident from the number of advertisements that one sees on the TV or listens on the Radio. On the other hand, for certain industrial products or durables such as automobiles, there is lesser degree of competition in the market.

#### F. Consumption Level and Pattern

An understanding of the consumption level and pattern would be useful to the marketers in identifying consumer needs and market potential for the firm's products and services. The per capita consumption for the year 1984-85 was Rs. 1950. This comes to nearly Rs. 161 per month. This is much lower as compared to that found in developed countries but there has been a steady rise in it over a period of time.

The average consumer spends about 54 per cent of his disposable income on food, 11 per cent on transport and communication and 30.9 per cent on clothing and footwear. This gives an idea about the potential market for different types of the products.

#### G. Socio-Cultural Characteristics

##### (i) Religion

India is a secular country inhabited by people belonging to different religions - Hindus, Muslims, Christians, Sikhs, Buddhists and others. Every religion has its own values, beliefs and code of conduct in respect of what food to eat, what clothes to wear, and so on. Such religious norms exert a strong influence on consumer's

purchase and consumption behaviour. It is, therefore, important to understand these factors and values as they substantially influence the buying behaviour of people.

### (ii) Festivals

Hindu religion has its own important festivals which are celebrated with traditional gaiety. Most people buy new clothes, sweets and other gift items for their friends and relatives at the time of these festivals. To a seller, these festivals represent peak sales season and a good time for introducing new products.

### (iii) Languages

Language plays an important role in marketing because it is a potent medium of communication with the potential buyers of goods and services. A number of languages and dialects are spoken in India. This is evident from the fact that as many as 15 languages have the status of official languages. These are Assamese, Bengali, Bhojpuri, Gujarati, Hindi, Kannada, Malayalam, Marathi, Oriya, Punjabi, Sanskrit, Sindhi, Tamil, Telugu and Urdu. This poses a challenge for the marketers to communicate with Indian masses.

## Challenges and Opportunities in the Indian Marketing Environment

Living organisms as well as business units are exposed to two types of situations, from time to time, in the environment. These are (a) Threats from environment and (b) Opportunities from the environment.

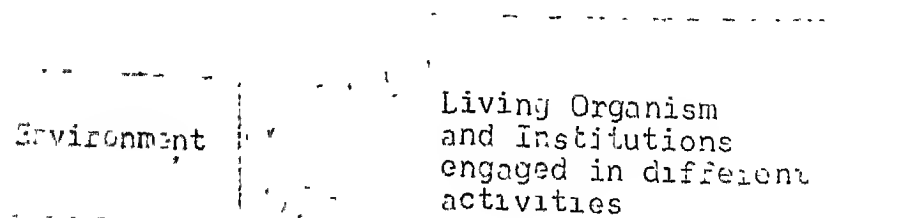


Fig. 2.2

Indian marketing environment offers many challenges as well as opportunities to the business units operating in the country. The major challenges and opportunities in the Indian market may be discussed as below:

### 2.6.1 The Challenges

Environmental challenge is a threat posed by unfavourable trend or specific disturbance in the environment that would lead, in the absence of purposeful marketing action, to the stagnation or demise of a company, product or brand. For example, the declining birth rate of the population in the country may be a threat for the firms marketing baby products or the recent Gulf crisis had brought in serious threat for the firms using petro-products as their raw material. In the same way, the newer technologically advanced products become threat for the existing products. For example in the recent years, the photocopying machine has received serious threat from Electrostate machines; black and white televisions, from colour televisions, fountain pens from ball pens, and so on. Some of the other examples of such challenges in the Indian market are summarised in the Exhibit 2.3 as follows:

Exhibit 2.3  
Challenges in Indian markets

Environmental Challenge		
To		From
(i)	Tonga, Cycle Rickshaw, Hand Rickshaw, Bullock Carts	Auto rickshaw and other mechanised means of transport and trucks
(ii)	Cotton Textiles	Synthetic Fibres
(iii)	Cinema Industry	Television, VCR
(iv)	Radio	Transistor
(v)	Gramophone and Gramophone records	Tape recorder, Cassettes
(vi)	Holder, pens with nib and ink filling system, pen ink	Ball-point pen, refills
(vii)	Dhoti, pugree and other traditional clothings	Trousers, felt hat and other modern wears
(viii)	Brass utensils	Stainless steel utensils

### The Opportunities

A marketing opportunity is a challenge to purposeful marketing action that is characterised by a generally favourable set of environmental circumstances and an acceptable probability of success. The environment always gives rise to new marketing opportunities and success depends on how a business firm is able to avail of the opportunities. Opportunities to a business firm may come in the following forms:

- (i) innovation of new products, services, channels and methods of sales promotion;
- (ii) creation of competitive differences;
- (iii) prospects of expansion and penetration to new markets;
- (iv) reduced competition;
- (v) favourable government policies;
- (vi) increased income/purchasing power of target customers.

Opportunities should be examined to explore their feasibility. An opportunity once lost may never come back again. According to marketing experts, there can be a need but no market; market but no customer, and customer but no salesman. For example, there exists a great need for so many products and services in our country, but due to poverty, lack of purchasing power and repayment capacity, the number of customers for all those products is not very large.

In India, the Green Revolution has brought economic prosperity to the farmers in rural areas which has increased their purchasing power. This has provided tremendous opportunities for the production and sale of products and services for the rural markets. In order to tap this opportunity, the marketers will have to ascertain the needs of rural people. After that they have to develop an appropriate

marketing mix to develop products that suit rural needs, to price such products at reasonable level, to promote them through such methods as are appropriate for reaching rural masses and to ensure proper distribution of the products. Rural market of India has the potentiality of becoming the second biggest market of the world after China, on the basis of population.

The increasing number of rich and middle class customers in urban areas provide ample opportunities for the sale of a large number of consumer products and services. The factors responsible for providing better opportunities for the sale of products and services as are given in Exhibit 2.4.

Exhibit 2.4

Opportunity Factors

Factors	Marketing Opportunities for products and services
1. Increasing rate of literacy	Books, periodicals, journals, newspapers, etc.
2. Increase in longevity of life	Fruits, food products, clothing, medicines, etc.
3. Vast development of cities and towns	Construction material, cement, electrical and sanitary fitting, etc.
4. Development in the standard of living of people	Furniture, carpets, cloths, shoes, TVs, refrigerators, mopeds, scooters, cars, etc.
5. Development of new industries	Machinery, equipments, raw materials, related products and services.

Summary

The term marketing environment refers to all external factors which influence the marketing activities of a firm. It is essential for a seller to understand the environment in which he performs his task as it helps in planning marketing strategies for his products

and services. The various environmental factors which influence marketing activities of a retailer can be divided into the following six categories:

1. Social environment,
2. Economic environment,
3. Demographic environment,
4. Physical environment,
5. Technological environment, and
6. Legal and Political environment.

In addition to the above mentioned factors, there are some other factors which influence the marketing activities of a firm. For example, market environment and the organizational set up of the retail firm. Marketing environment is always changing and from time to time offer opportunities as well as threats to the business firm.

Indian market offers many opportunities to entrepreneurship to produce and sell all types of products and services. There is a large segment of rich and middle class customers in urban areas. Rural market has also large potential to develop in near future. There are some challenges also in the Indian market such as about half the population is poor and lives below poverty line. Then there are floods, earth quakes, civil disturbances, famines, etc. A successful marketer is one who adopts his marketing activities according to changing environmental conditions. He estimates and forecasts about the business environment and prepares himself to face the challenges threat and avails the opportunities offered by environment.

## 2.8 Review Questions

1. Write in five lines the meaning of the following terms.
  - (i) Social Environment
  - (ii) Economic Environment

(iii) Technological Environment

(iv) Physical Environment

2. Distinguish between 'environmental opportunities' and 'environmental threats'.
3. Which of the following factors influence the marketing functions (Please ✓ the correct answer).
  - (i) Economic
  - (ii) Social
  - (iii) Political
  - (iv) Technological
  - (v) All the above
5. Marketing environment of a country offers the following to a company.
  - (i) Opportunities
  - (ii) Threats
  - (iii) Both
  - (iv) None of the above
5. Explain the concept of marketing environment and the various factors constituting the marketing environment.
6. What steps would you recommended to a retailer to save his business from environmental threats?

### Chapter-3 Marketing Process and Elements of Marketing Mix - Learning Objectives

After studying this chapter, you should be able to:

1. explain the marketing process;
2. elaborate the different stages in the process of marketing;
3. describe the concept and role of marketing mix;
4. illustrate the significance of different elements of marketing mix.

#### 3.1 Introduction

In the previous two chapters, you have learnt about what marketing is and what are the environmental factors and force which influence its performance. In our present chapter, we shall be concerned with what marketing does i.e. the actual process by which marketing operates. We shall list out the different stages of the marketing process and explain the meaning and significance of marketing mix. We shall also explain the different elements of marketing mix and elaborate the importance of these elements in the marketing of goods and services.

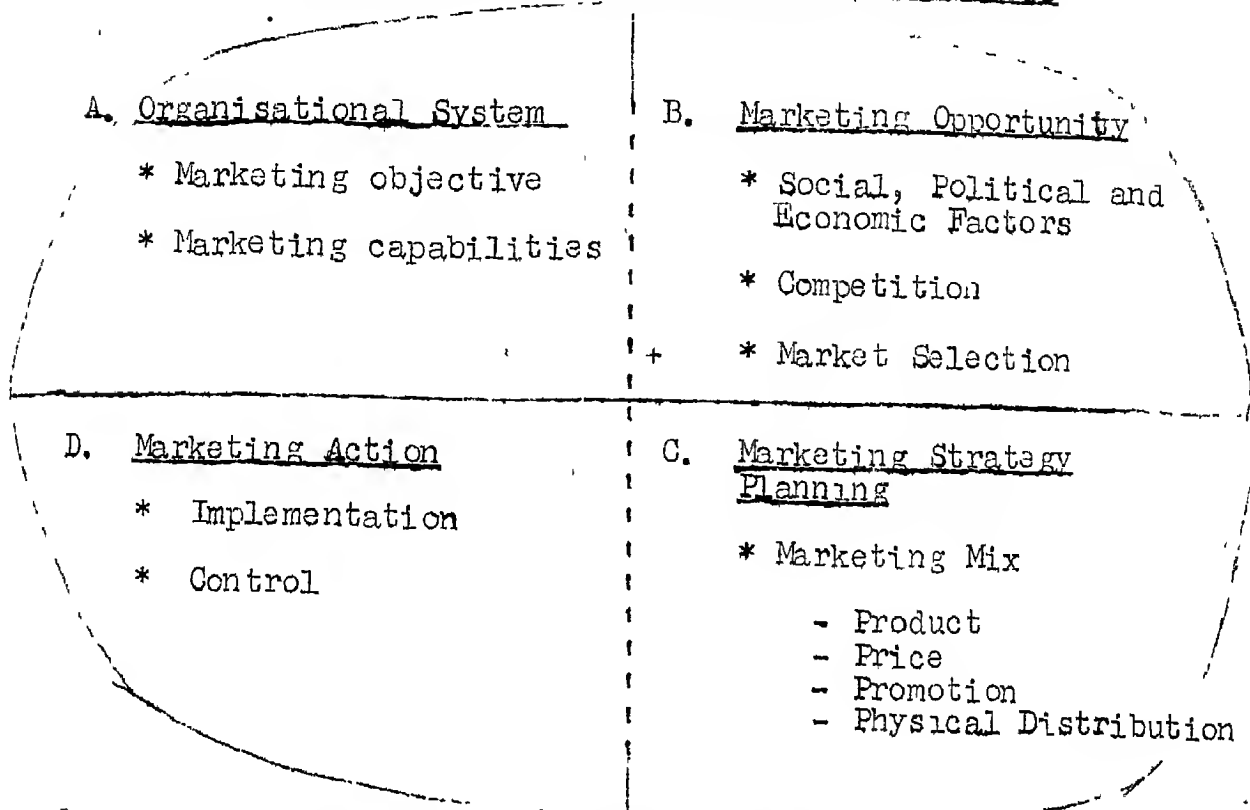
#### 3.2 Marketing Process

The process by which marketing operates within an organisation is referred to as the marketing process.



As shown in Exhibit 3.1, there are four important steps in the marketing process.

Exhibit 3.1 Stages of Marketing Process



3.2.1 Establishing an Organisational System

The first step in the process of marketing is establishment of an organisational system. Such a system is based on an analysis of the marketing capabilities of a firm and a clear statement of its marketing objectives.

The marketing objectives of a firm should be clearly defined. Merely stating that the objective is to 'increase the sale of firm's products' is not enough. The objectives should be specific, and stated in quantitative terms. Let us say, the objective the firm is stated 'as increasing the sale of firm's products by 25 percent in One year' or 'to achieve market share of 40 percent in 5 years'. Describing the objectives in these terms

helps an organisation in planning its strategies more effectively and determining whether or not its overall efforts have been successful. ~~an assessment of the marketing capabilities of a firm would mean assessment of its resources - financial, physical, personnel, the research and development facilities, etc. Different organisations differ in terms of their capabilities. For example, some may be very good in terms of managerial resources while others may have a relatively sound financial position. Similarly in, some organisations, the R & D department may be outstanding but the production or marketing department may not be as good. Thus every firm must make a true assessment of its capabilities so that it takes up only those activities in which it has a competitive advantage or which are not outside its capabilities.~~

### 3.2.2 Identifying a Marketing Opportunity

The next step in the process would be the identification and appraisal of the marketing opportunities, problems and the associated risks. An opportunity analysis requires that the firm has a clear sense of understanding of its own objectives and capabilities and of the environment in which it exists. This includes the social, political and economic forces; the competition it faces, the intermediaries with which it must deal; and the market segments in which it is interested.

Every change in the existing environment brings in various opportunities as well as challenges for the marketing firms. In order to find out new potential marketing opportunities, each firm should therefore make an original

effort in this regard. The opportunities so identified are then evaluated by the firm, in the light of its objectives and capabilities.

### 3.2.3 Developing Marketing Strategy

Strategy means a long term plan for achieving an objective.

After a company has analysed the current marketing situation, identified the opportunities and threats and defined marketing objectives, the next step in the marketing process would be to design marketing strategy for achieving the same. In simple words, marketing strategy is a plan that marketer will use in attaining the objectives of business.

Marketing strategy is a broad concept of how resources are deployed to achieve market success. The marketing strategy of a firm consists of long term plan in six areas, viz., 'product', 'pricing', 'physical distribution', 'promotion', 'market selection' and Competitive Orientation. All these areas are interrelated and a well coordinated effort on the part of the firm is needed in order to develop an efficient marketing programme. However, the central focus of the marketing strategy is the creation of the marketing mix for a select market, details about which are given in a later section of the chapter.

### 3.2.4 Marketing Action

The final step in the process involves putting the marketing strategy into action. This consists of two phases - implementation of the strategy and its control.

The success of a firm's implementation efforts are largely influenced by the motivation and coordination

activities of the management. There are different ways of motivating the employees, e.g., by recognising their efforts; by providing them with opportunities of growth and development; by giving them financial incentives; by providing them job security, and so on. The management must make an analysis of the needs and aspirations of its employees and try to satisfy the same so that they feel motivated to contribute their best to the organisation.

Coordinating the activities of different departments is another crucial aspect of effective management. Lack of coordination would only result in failures and ineffectiveness in an organisation. Coordination is needed not only within the marketing department but with other departments as well. This means coordination is necessary in respect of the activities of the finance, research and development, production, engineering and other departments within an organisation as well as efforts of the distributors, suppliers, etc., outside the organisation. Another essential ingredient of market action is control of the marketing activities. Control is the process of comparing the actual results with that of the objectives of the marketing strategy. The deviations, if any, are analysed and corrective measure are taken so that the objectives can be fully achieved in future.

### 3.3 Marketing Mix

As we know, the central focus of developing marketing strategy in a firm is to create marketing mix for a select market. It, therefore, becomes essential to describe in some details as to what is a marketing mix and what role does it play in achieving the marketing objectives of a firm.

Marketing mix refers to the mixture of controllable activities that a firm uses to achieve its marketing objectives. That means the variables affecting the performance of an organisation may broadly be divided into two categories, ~~controllable and non-controllable~~ and marketing mix is concerned only with the controllable variables. The uncontrollable variables are also known as environmental variables, details about which have already been described in the previous chapter. The variables which are to certain extent controllable by the actions of the management include product, price, physical distribution and promotion. In other words decisions with respect to these aspects are under the control of the management of a firm. For example, what product features will be selected or whether the product would be sold under a brand name or a generic name, if whether the product will be introduced in one size or two sizes; etc., are influenced by the decisions of the firm's management. Similarly, the management decides on numerous aspects relating to the price, promotion and physical distribution of the products as it controls these activities by its actions.

A firm would take these decisions or combinations of different elements of the marketing mix in such a way that its marketing objectives are achieved in a most effective way. Let us say, it would like that the necessary volume of sales is achieved at a cost that will result in a desired level of profit. But so many alternative mixes can be adopted by a firm to achieve this objective. The problem then is to decide what would be the most effective combination of elements to achieve the objectives.

In other words, the problem is to find an optional way of combining these elements so as to get the best results. Thus the management has to decide say whether it should spend large sums of money to develop new products or to spend more money to promote the sale of the existing products? Whether the firm will be able to reduce its own expenditure for demand creation activities if higher margins are given to middlemen; or How much efforts should be devoted to advertising as compared to personal selling or packaging or labeling? The success of a marketing plan, thus, greatly depends on the correct combination of the marketing mix adopted.

### 3.4 Elements of Marketing Mix

As discussed in the previous section, the four major elements of marketing mix are - 'product', 'promotion', 'price' and 'physical distribution'. These are explained in details as follows.

#### 3.4.1 Product

In marketing terminology, the term product may refer to a physical product or a service or an idea. It is basically what is being offered to the consumer. It may be anything which a consumer needs and is willing to pay price for.

Activities relating to product include its quality, features, brand name, packaging, services, warranties etc. Branding includes the selection of trademarks, use of individualised or family brand, sale under private labels and unbranded sales. Packaging covers the formulation and design of packages and labels.

Services refers to whatever accompanies the produce by way of delivery, repair, warranties, etc. The word product may be a physical product or a service or an idea, as far as marketing is concerned. In other words product means 'something' which is given to consumers in exchange. The word 'something' may be a tangible product or entertainment or advice or any service or idea which a customer needs and is willing to pay a price for. (Activities related to a product, service or idea include the quality, features, brand name, packaging, size, service, warranties, returns etc.) The idea of product planning is to satisfy customer's demands. Product planning also ensures greater choice to the customer. For each producer can make a product with some distinct features to suit the requirements of specific customers. To the producer, product planning helps to effectively face the competition by virtue of distinct features of the product. Another important question in respect of 'product' is the determination of the product mix i.e. what are the products the company wants to produce and sell in the market? The different products that can be manufactured with existing equipment? The quantity of each type of product? etc. These are some of the questions to be decided from the point of marketing planning and objectives. For instance, Modern Bakeries manufactured only plain sandwich bread to begin with. Later on, other varieties of bread like fruit bread, sweet bread, milk bread, buns and rolls etc., were added. The problem involved in this situation is that of finding out the optimal product mix to generate maximum revenue.

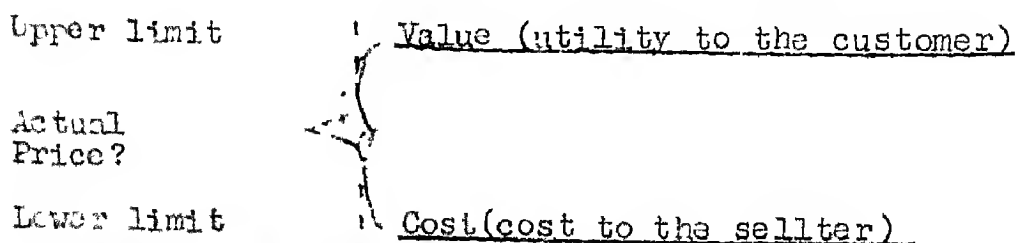
### 3.4.2 Price

After considering the issues relating to product, the next item in marketing-mix is price. Price refers to the amount of money that consumers pay in exchange for the product or service. The price has to be fixed at such a level that is within the reach of the target customers. Otherwise, they would not be able to buy the product. Some of the important factors which influence pricing decision by a firm are as follows:

(a) Value:- The term value means the utility of the product to the customer. The customer purchases a product to satisfy his/her wants. The capacity of a product to satisfy human wants is its utility. More the utility in a product, more will be its value from the point of view of customers.

(b) Cost:- Cost refers to the amount of money spent in the production and distribution of a product. A manufacturer generally does not sell a product below its cost. Thus, cost denotes the minimum level of which a product can be sold. 'Value' and 'cost', the two factors discussed above are the two extremes or limits of pricing decision. 'value' denotes the maximum of the customer and 'cost', the minimum of the seller..

#### Exhibit 3.2 Limits of Price Decision



(c) Sales Promotion Methods used:- Actual price is determined between these limits after consideration of other factors which have been described below. The



methods of salespromotion, such as advertising, personal selling, publicity, etc used add to the cost of the product. Thus these influence the price of a product. Similarly, after sales services and trade policy (relating to commission, benefits to middlemen, etc) also affect the price of a product.

(d) Competition:- The degree of competition existing in the market is a very important factor affecting the price of a product. Generally the prices are fixed at a lower level if the degree of competition is higher, and vice-versa.

(e) Government Policy:- Government authorities place numerous restrictions on fixation of prices. Every manufacturer has to fix the price according to Government policy and regulations.

### 3.4.3 Promotion

Merely producing a good product or pricing it at a level which is acceptable to the target customers would not sell it. The customers have to be informed about the availability and utility of the product and are to be also/persuaded about the usefulness of buying the product. These acts of informing and persuading customers are referred to as promotion of the product, and constitute the third element of marketing mix. A marketer has to take several decisions in respect of promotion of the products. For example, what promotional methods (advertising, personal selling, publicity and sales promotion) will be used and in what combination; how much amount will be spent on promotion, <sup>and</sup> so on. The overall decision is taken by considering the effectiveness of individual elements

of the promotional mix used by competitors, and the firm's own measure of effectiveness or consumer response to a particular promotional mix cannot be easily compared with the promotional objectives.

#### 3.4.4 Physical Distribution

Another important activity in respect of marketing of goods and services is related to the physical distribution of the products. No customer would be able to buy a product unless it is made available at a place which is convenient to him. Thus the goods should be made available at a right time and right place. To ensure that the marketers have to take decisions in respect of two important aspects. These are:

- (1) Channels of distribution, and
- (2) Physical distribution.

Physical distribution activities are related to the movement of products from the place of its production to the place of its consumption. The main objectives of the task of physical distribution is to make the products available at the places they are required for consumption. The distribution network should be designed in such a way that this work is done at a minimum cost.

In case of most of the products, the marketer does not sell directly to the consumers. Instead, some channel intermediary or middlemen are used for this purpose. Channels of distribution are the routes through which the ownership of products and services is transferred from producer to consumer. For example, a typical channel of distribution for consumer goods is manufacturer-wholesaler-retail consumer.

There may many intermediaries i.e. wholesaler, stockist, dealer agent, retailer, cooperative store,

departmental store, fair price shop, etc., in the Indian market. Establishing channels of distribution, the marketers considers two points.

- (1) The distribution functions should satisfy the target consumers; and
- (2) Which intermediary can best perform these functions?

The manufactures of costly, durable and sophisticated product like cars, scooters, refrigerators, television etc., find independent dealers as the best channel for the distribution of these product. Marketers of cheap, perishable, consumer products use multistage channels, viz, co-wholesaler-retailer.

### 3.5 Summary

The process by which marketing operates within an organisation is called the marketing process. The important steps in the process of marketing are a) establishing an organisation system; (b) identifying

marketing opportunity; (c) performing marketing action and (d) devising marketing strategy.

The marketing strategy of a firm consists of long term plan in six major areas, viz., product, pricing, promotion, physical distribution, market selection and competitive orientation. Of these, the first four elements constitute the marketing mix for a select market. Marketing mix refers to the mixture of controllable activities that a firm uses to achieve its marketing objectives.

There can be various alternative mixes that can be adopted by a firm to achieve its marketing objective. But a firm would like to choose a mix that enables achievement of marketing objectives in a most effective way. Thus, the problem is to find an optimal way of combining the different elements of marketing mix. The four major elements of marketing mix are Product, Pricing, Promotion and Physical distribution. A marketer has to take various decisions in respect of these elements. In fact success of a marketing programme depends on the effectiveness with which these elements are mixed by a firm.

### 3.6 Review Questions

- (1) What do you mean <sup>by</sup> marketing process? What are the important steps in the process of marketing?
- (2) What do you mean by identification of marketing opportunities? What are the ways in which marketing opportunities in a firm can be identified?
- (3) What is a marketing strategy? What are the major elements of an effective marketing strategy?

(4) What do you understand by marketing mix?  
Explain the major elements of marketing mix and the role they play in successful achievement of the marketing objectives of a firm.

(5) Give examples of a marketing manager changing different elements of marketing mix to achieve higher sales.

(6) What marketing activities can be grouped under the following elements of marketing mix.? List at least four activities in respect of each element

<u>Product</u>	<u>Price</u>	<u>Sales Promotion</u>	<u>Distribution</u>
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			

Q. (7) State whether the following statements are true or false.

- (a) Expenditure incurred on advertising TRUE FALSE  
is not an investment
- (b) Advertisement can have a wider reach than  
personal selling
- (c) Advertisement can give personal attention  
to consumer problems
- (d) Advertisement can act a liaison between  
the company and the buyers
- (e) Personal selling can be a better  
substitute for advertising

## Chapter - 4. Product

### Learning Objectives

after reading this chapter, you should be able to:

- (1) explain the concept of product and its role in the marketing mix;
- (2) appreciate the different basis of classifying the products;
- (3) explain the characteristics of different types of products;
- (4) describe the concept and role of branding ;
- (5) examine the important decision areas in respect of branding;
- (6) elucidate the different types and functions of packaging; and
- (7) describe the 'product life cycle'.

### Introduction

In the previous chapter we have described that in order to achieve its objectives, an organisation has to adopt a combination or mix of various strategies. This package of strategies is generally divided into 4 broad kinds, viz. Product, Price, Place and Promotion and is called the marketing mix. In fact, planning and development of the marketing mix normally begins with a clear idea of the firm's product. An enterprise may have a highly sophisticated channel of distribution, reasonable prices and an effective promotion campaign. But if the product fails

to satisfy the consumers needs all other efforts may go in vain. So, we can say that product is really the heart of the entire marketing mix.

The present chapter is devoted to describe various aspects relating to 'product'. It explains the concept of product and discusses the bases for classifying the products. It also describes the meaning and role of branding, packaging and the concept of product life cycle.

### 3. Concept of Product

In our day-to-day life, we buy different kinds of products to satisfy our various needs. For example, toothpastes, cigarettes, cold-drinks, soaps, ball pens, writing papers, Fabrics and Durables like fans, sewing machine, TV, VCR, etc. In common parlance, when we use the word 'product', we refer only to the physical or tangible attributes of a product. For example, we say we have bought a car or a pen or a shirt.

Our decision to buy a product is not only affected by its physical qualities, but also by certain non tangible and psychological factors e.g. brandname, reputation, quality, packaging etc. Let us say, when a person buys a car, he is not just buying a few nuts and bolts, an engine, four wheels, and so on. Rather he is buying a means of transport, a status symbol, guarantees and warranties accompanying the product, image of the company and many other such attributes. Thus, in marketing, product is a mixture of tangible and intangible attributes which are capable of being exchanged for a value with ability to satisfy customer needs. Besides physical objects, we also include services (such





eatables, textiles, toothpaste, cosmetics, shoes, pens, fans, etc., for our personal and non-business use.

The consumers products have been classified on the basis of two important factors:- a) the extent of shopping effort involved and (b) the durability of the products. These are explained as below

#### Shopping Effort Involved

The time and efforts buyers are willing to spend in the purchase of a product is an important determinant of the promotion and distribution strategies to be adopted by a firm. On the basis of this factor, the products may be classified into three categories, viz., convenience product, shopping products and speciality products,

#### Convenience Goods

Those consumer products which are purchased frequently, immediately and with least time and efforts are referred to as convenience goods. Examples of such products are cigarettes, ice-creams, medicines, news paper, stationery items, shaving blades, toothpastes, food for breakfast, etc. These products have low unit-value and are bought in small quantities. Some of the other important characteristics of such products are as follow

##### 1) Purchased at Convenient Location:

The buyers want to purchase such products with least efforts and time. Thus convenience in purchase becomes the most important criteria for them in deciding the place from where to buy. For example, when you feel thirsty and want to buy a bottle of soft drink, you would like to buy it from the nearest possible vendor rather than travelling a few miles for getting the same.

ii) Demand is Regular and Continuous

Most of the convenience products are essential for customers. Thus, they have a regular and continuous demand.

iii) Small unit of Purchase and Low Price

These products have low per unit price and are purchased in small units. For example, eggs are sold at Rs. 10 per dozen and the customers purchase them in small numbers -say one dozen at a time so as to meet their consumption requirement for a day or two.

iv) Standardised Products and Price

Most of the convenience products are branded and standardised products. As the customers use them regularly, they know about the quality, price etc., of the same. They do not have therefore to make any comparisons or enquiries about the price etc. of the products.

Everytime they make a purchase of the same.

v) Keen competition amongst Producers

Generally there is an intense competition amongst the producers of the convenience products as the supply is greater than the demand. The marketers have, therefore, to heavily advertise for many of these products. That is why, you must have noted that there are large number of advertisements for such products as soft drinks, detergents, tooth pastes, toilet soaps, etc., on TV, radio, newspapers, etc.

vi) Increasing role of Sales promotion and Middlemen

Because of keen competition among producers, there is an increasing role of sales promotion schemes such as sales contests, discount offers, gift offers, etc. in the marketing of such products. Also, the cooperation

of middle men play important role in pushing these products in the market.

(b) Shopping Product

Shopping products are those consumer goods in the purchase of which the buyers devote considerable time to compare the quality, price, style, suitability, etc., at several stores before final purchase. Important examples of shopping products are cloths, shoes, jewellery, furniture, radio, television, and other durable products.

Characteristics of Shopping Product

- i) Durable: The shopping products are generally of durable nature. They usually survive many uses, e.g. utensils, jewellery, shoes, etc.
- ii) High Unit Price: The unit price of such product is generally high. For example, a T.V. costs more than Rs.10,000; a pair of shoes, between Rs. 100 to Rs. 500, and so on. The profit margin of the seller is also relatively high.
- iii) Comparison in Selection: As these products are bought for use over a longer period of time and have high unit price, customers compare the products of different companies before making selection. For example, when we have to buy clothes or shoes or furniture, we generally try the products from different stores and then decide to buy according to our requirements and paying capacity.
- iv) Pre-Planned Purchases: Purchases of shopping products are generally preplanned i.e. there is lesser degree of impulse buying for these products. For example, we don't buy a refrigerator or a TV or even a pair of shoes then and there when we see some good product.

while we are on a casual shopping trip to a market, with our friend. As these products cost lot of money, generally people have to plan their purchases of such products.

- v) Important role of retailers: Retailers generally play a very important role in the sale of shopping products as these products need a lot of persuasive effort on the part of the sellers. The salesmen have to explain the merits and demerits of the products and help the buyers in making comparisons, and finally selecting the product.
- vi) Convincing salesmanship: As the customers make comparisons about the quality, price, etc., of the shopping products, there is a need for systematic persuasive efforts on the part of the salesperson, in order to sell these products. Thus the salesman's ability to convince the customer play a very important role in the sale of shopping products.

c. Speciality Products

Speciality goods are those consumer goods which have certain special features and because of which people make special efforts in their purchase. These are such products which have reached a brand loyalty of the highest order, with a significant number of buyers. As a result of that, the buyers are willing to spend a lot of time and efforts on the purchase of such products. For example, if there is a rare collection of art work or of antiques, some people may be willing to spend a lot of shopping effort and travel long distance to buy such products. In our day to day life, we see people going to a particular hair - cutting saloon or restaurant, or a tailor. In fact, the purchase of this category of

goods do not involve any shopping efforts on the part of the buyers because they know for sure, what they want. It only requires time to reach the outlets that carry these goods. Since these products have developed a strong customer franchise, the demand for these goods is relatively inelastic i.e. even if the price is increased slightly, the demand will not be reduced. Some of the important characteristics <sup>of the</sup> speciality product may be listed as follows:

- i) Limited Demand: The demand for speciality products is limited and relatively small number of people buy these products.
- ii) High Price: Speciality products are generally very costly and their unit price is very high. For example, some antique painting may be sold even for lakhs of rupees.
- iii) Limited Centres of Selling: The products are available for sale at a few places only. In other words a selective distribution policy is adopted for the sale of these products as the number of customers is small and they are those who are willing to take extra efforts in the purchase of these products.
- iv) Mass and aggressive sales promotion: For the sale of speciality products, an aggressive promotion is required in order to inform people about their availability and other features, etc.
- v) Service Facilities: For many of the speciality products, after sales services are very important for their sale.

#### Durability of Products

Another important basis for classifying the products into different categories is their durability.

Thus what strategies will be adopted say in respect of pricing or distribution will depend on whether the products are of durable nature <sup>whether</sup> or they are of non durable nature. On the basis of their durability, the consumer products have, therefore, been classified into three categories - Durable, Non Durable and Services.

(a) Non-Durable Products

Those consumer products which are normally consumed in one or few uses, are called non-durable products. Such products are generally bought in small quantities but more frequently. For example we purchase products like tooth paste, detergents, bathing soap, perfumes, soft drinks, eatables, shaving cream, writing ink, etc. All these products are categorised as non durable products. From the marketing point of view, these products generally command a small margin, should be made available in many locations, and need to be heavily advertised.

(b) Durable Products

Those tangible consumer products which normally survive many uses are referred to as durable products. Thus, these goods are generally used for a longer period e.g. refrigerator, radio, T.V., car, sewing machine, furniture, kitchen gadgets, etc. Such goods command a higher per-unit margin and require guarantees and after sales services, on the part of the seller. Also, these goods require greater personal-selling efforts.

(c) Services

Both durable and non-durable goods were tangible in the sense that they have a physical existence and we can see and touch them. But services are intangible in form. By services we mean those activities, benefits or satisfactions which are offered for sale, e.g., drycleaning,

watch repairs, hair cutting, postal services, services offered by a doctor, architect, lawyer, etc. Some of the distinguish<sup>ing</sup> characteristics of services are as follow:

- (i) Intangibility - By their very nature, services are intangible i.e. we can't see feel or taste them. That means the buyer should have confidence in the person providing a service. The marketer of a service should, therefore, try to improve the confidence of the customers by building his image.
- (ii) Inseparability - A service is inseparable from its source . That means we cannot separate the service from the person providing the service. For example, if you go to a particular tailor's shop for getting your clothes stitched. If that tailor is not available in the shop ( he might have gone out of station for some days) your clothes will remain unstitched untill he comes back or you decide to go to some other tailor. In contrast to this, a physical product exists whether its source is present or not.
- iii) Perishability: - The services cannot be stored. They are highly perishable. For example, if a barber does not work for one week, the services he would have provided during such period go waste.
- iv) Variability - Services are highly variable as their type and quality depends on the person who provides them. That is why there is a difference in the extent of satisfaction we get from the services provided by different people.

These characteristics differentiate services from the products and reveal that different strategies are required for the marketing of services as compared to the marketing of products.

#### 4.3.2 Industrial Products

By industrial goods we mean those products and services which are to be used by its buyers as inputs in producing other products. The examples of such products are raw materials, engines, lubricants, machines, tools etc. In other words industrial products are meant for non-personal and business use of producing other products. According to the American Marketing Association, industrial goods are "Goods which are destined to be sold primarily for use in producing other goods or rendering services as contrasted with goods destined to be sold primarily to ultimate consumers".

The market for industrial products consists of manufacturers, transport agencies, banks and insurance companies, mining companies and public utilities. The important characteristics of industrial markets are given below:-

##### 1) Limited Buyers

As compared to the consumer products, the number of customers of industrial products is very limited. For example, raw cotton will be purchased by few producers of cotton fabrics. Similarly sugarcane will be purchased by small number of sugar mills. But the sugar or cotton, fabric which is a consumer product is purchased by crores of people in our country. Chittaranjan Locomotive Factory has mainly one buyer - the Indian railways, for the purchase of railways engines and coaches.

The industrial products are durable and they are to be purchased only when they wear out of date.

##### ii) Direct Selling



selling. The industrial products are durable are costly items, bought generally by a manufacturing concern. The salesperson should, therefore, be a highly knowledge and experienced person so that he is able <sup>to</sup> persuade the buyer to buy his products. Sometimes the product has to be manufactured according to the specification of a buyer. The sales person should, in those cases, try to correctly understand the requirements of the buyer.

iii) Geographically Concentrated:

In contrast to the consumer markets, industrial markets are highly concentrated, geographically. It is because there is a concentration of units engaged in production of similar products in a particular areas. It is because of location of industries at a particular point or region. For instance, the demand for powerloom comes from Bombay, Sholapur, Bangalore, etc. The demand for 'draper' automatic loom is from Ahmedabad, Sholapur and Madras.

iv) Derived Demand:

The demand for industrial products is derived from the demand of other products, generally the consumers products. For example, the demand for leather will be derived from demand for shoes and other leather products in the market. If there is an increase in the demand for radio-sets, the demand for fabricating material, spareparts, operating supplies, etc., also increases.

v) Technical Consideration

Technical considerations assume greater significance in the purchase of industrial products because these products are bought for use in business operation.

Industrial goods buyers, therefore, seek the advice and guidance of experts like engineers, cost accountants, production managers, etc. As a result of this, the negotiation period is quite longer. The after sale services also play an important role in the sale of these products.

vi) Reciprocal Buying

Some big companies from basic industries like oil, steel, rubber, chemicals and medicines resort to the practice of reciprocal buying. For example, Ashok Leyland buys tyres and tubes from Ceat. The ceat company in turn buys trucks from Leyland, whenever it feels the need for the same.

vii) Leasing instead of buying

A growing trend in industrial market is to lease out rather than to purchase the products on outright basis. This practice is being widely used in various industries. For example, transport agencies do not purchase public carriers but use them on hire basis. Mixer in construction work is another example of such purchase. The difference between hire purchase and outright purchase is that in the former case, the ownership of the product is not transferred to the purchaser, while it is transferred in the latter case. However, it should be kept in mind that there are certain products which can be put into the category of both-consumer products as well as industrial products e.g. a typewriter, a personal computer, a refrigerator, etc.

The difference in the nature of consumer products and industrial products is important because of the fact the buyers of the two sets of products have different and buying motives/have different attitudes and use different

approaches in the purchase of the products e.g. an industrial buyer is expected to be more rational who will study the costs of different available brands, their technical specifications, the good will of the suppliers etc. Whereas the buyer of a consumer product may be more impulsive and emotional, who is susceptible to advertising and various sales promotion schemes.

These differences in consumer and industrial products necessitate that marketers should make use of different marketing policies and strategies in the marketing of the two categories of products.

#### 4.4 Branding

One of the most important decisions that a marketer has to take in the area of 'product' is in respect of branding. He has to decide whether the firm's products will be marketed under a brand name or a generic name. As we know, generic name refers to the name of the whole class of the product. For example, a book, a wrist watch, pen, tyre, car, camera, toilet soap, etc. We know that a camera is a lens surrounded by plastic or steel from all sides and having certain other features such as a flash gun and so on. Similarly book is a bunch of papers which are in a bound form, on which some useful information about a subject is printed. Thus all products having these characteristics would be called by the generic name such as camera or book. If products are sold by generic names, it would be very difficult for the marketers to distinguish their products from that of their competitors. Thus most marketers give a name to their product which helps in identifying and distinguishing their products from the competitors products.

This process of giving a name or a sign or a symbol etc. to a product is called branding. The various terms relating to branding are as follows:

4.4.1 Branding - Related terms

- i) - Brand A brand is a name, term, sign, symbol, design or some combination of them, used to identify the products-goods or services of one seller or group of sellers and to differentiate them from those of the competitors. For example, some of the common brands are Dalda, Lifebouy, Dunlop, Hot Shot, etc. Brand is a comprehensive term which <sup>has</sup> two components - brand name and brand mark. For example, the name Dalda has the symbol 'palm tree' on its pack
- ii) Brand Name: That part of a brand which can be spoken is called a brand name. In other words, brand name is the verbal component of a brand. For example, Dalda, Lifebouy, Dunlop, Hot Shot, TMT, Campa Cola, Uncle Chaps, etc. are the brand names.
- iii) Brand Mark That part of a brand which can be recognised but which is not utterable is called brand mark. It appears in the form of a symbol, design, distinct colour scheme or lettering. For example, the Gattu of Assian paints or devil of Onida or palm tree on Dalda packs, the picture of a man taking bath shown on the pack of Lifebouy Soap or symbol of Yogakshama of LIC or Four fingers and a palm of Anacin are all brand marks.
- iv) Trade Mark - A brand or part of a brand that is given legal protection is called trade mark. The protection is given against its use by other firms.

Thus the firm which got its brand registered gets the exclusive right for its use. In that case, no other firm can use such name or mark in the country.

Though branding adds to the cost e.g. to the cost of packaging, labeling, legal protection, promotion, etc, it provides several advantages to the sellers as well as the consumers. These are explained as below:

#### 4.4.2 Advantages to the Marketers

- i) Branding helps a firm in distinguishing its product from that of its competitors. This enables the firm to secure and control the market for its products.
- ii) A brand aids a firm in its advertising and display programmes. Without a brand name, the advertiser can only create awareness for the generic product and can never be sure of the sales of his product.
- iii) Branding enables a firm to charge a different price for its products than its competitors. This is possible because if customers like a brand and become habitual of it, they do not mind paying a little higher for it.
- iv) If a new product is introduced under a known brand, it enjoys the reflected glory of the brand and is likely to get off to an excellent start. Thus, many companies with established brand names decide to introduce new products in the same name. For example, Food specialities Ltd had a successful brand Maggie (noodles), it extended this name to many of its new products introduced such as Tomatto catch up, soups etc. Similarly Videocan extended the brand name of its TV to washing machines and other durables; T Series t.v. and T Series washing powder; and so on.

### Advantages to Customers

(1) Branding helps the customers in identifying the products. For example if a person is satisfied with a particular brand of a product, say cigarette or tooth paste or detergent powder, he need not make a close inspection every time he has to buy that product. Thus branding greatly facilitates repeat purchase of the products.

(2) Branding ensures a particular level of quality of the product. Thus, whenever there is any deviation in the quality, the customers can have a recourse to the manufacturer, or the marketer. This builds the confidence of the customers and helps in increasing his level of satisfaction.

(3) Some brands become status symbols because of their quality. The consumers of those brands of products feel proud of using those products. This again adds to the level of satisfaction of customers.

#### 4.4.3 Characteristics of a Good brand name

Choosing the right brand name is not an easy decision. What makes this decision important is the fact that once a brand name is chosen and the product is launched in the market, changing the brand name is very difficult. So, getting it right the first time is very essential. Following are some of the considerations which should be kept in mind while choosing a brand name.

- i) The brand name should be short, easy to pronounce, spell, recognise and remember e.g. Ponds, VIP, Rin, Taj, Vim etc.
- ii) A brand should suggest the product's benefits and qualities. It should be appropriate to the product's function. e.g. Rasika, Gantol, Promise, My fair lady, Boost Quickix , Bestavision etc.

- iii) A brand name should be distinctive  
e.g. Liril, Sprint, Safari, Zodiac etc.
- iv) The brand name should be adaptable to packing or labelling requirements to different <sup>advertising</sup> / media and to different languages.
- v) The brand name should be sufficiently versatile to accommodate new products which are added to the product line e.g. Maggi, Colgate .
- vi) It should be capable of being registered and protected legally.
- vii) Chosen name should have staying power i.e. it should not get out of date.

#### 4.5 Packaging

In recent years, there have been a series of developments affecting the business world. One such development has been in the area of packaging. Many products which we thought could never lend themselves to packaging because of their nature, have been successfully packed in recent years. e.g. pulses, ghee, milk, salt, cold drinks, etc. Particularly, in the case of consumer goods, packaging plays a very important role in the marketing success or failure. In fact if one makes an analysis of the reasons for the success of some of the successful products in the recent past, he would note that packaging has played its due role. For example, it was one of the important factors in the success of products like Maggi's noodles, Uncle chips or Crax wafers.

Packaging refers to the act of designing and producing the container or wrapper of a product.

##### 4.5.1 Levels of Packaging

In fact, there can be three different levels <sup>of</sup> / packaging:

These are as below:

- (a) The Primary Package refers to the product's immediate container. In some cases, the primary package is kept till the product is ready to use the product (e.g. plastic packet for socks); whereas in other cases, it is kept throughout the entire life of the product (e.g. a toothpaste tube, a match box, etc.)
- (b) Secondary Packaging refers to additional layers of protections that are kept till the produce is ready for use. e.g. a tube of shaving cream usually comes in a cardboard box. When consumers start using the shaving cream, they will dispose off the box but retain the primary tube.
- (c) Transportation packaging refers to further packaging or elements necessary for storage, identification or transportation e.g., a toothpaste manufacturer may send the goods to retailers in corrugated boxes containing 10, 20, or 100 units.

### 2.3 Importance of Packaging

Some of the recent developments in the area of marketing <sup>include</sup> <sup>which</sup> packaging has acquired a great significance in the sale of goods and services. Some of the reasons for the increased importance of packaging are as follows:

- i) Rising standards of Health and Sanitation - Because of the increasing standards of living in the country, more and more people have started purchasing packed goods to avoid contamination etc. in such goods are minimised.
- ii) Self Service outlets - The self service retail outlets are becoming very popular, particularly in major cities and towns. Because of this, some of the traditional methods of selling in



respect of promotion has gone to packaging.

- iii) **Innovational Opportunity** - Some of the recent developments in the area of packaging have completely changed the marketing scene in the country. For example, milk can now be stored for 4-5 days without refrigeration in the recently developed packing materials. Similarly in the area of pharmaceuticals, soft drinks, etc., lot of new innovations have come in respect of packaging. As a result the scope for the marketing of such products has increased.
- iv) **Product Differentiation** - Packaging is one of the very important means of creating product differentiation. The colour, size, material etc. of package makes real difference in the perception of the customers about the quality of the product. For example, by looking at the package of a cigarette, one can make some guess about quality of the product contained in it.

#### 4.5.4 Functions of Packaging

As stated above, packaging performs a number of functions in the marketing of goods. Some of the important functions are as follows:

- i) **Product Identification** - Packaging greatly helps in identification of the products. For example, Colgate in red colour, or Pond's cream Jar can be easily identified by the package.
- ii) **Product protection** - One of the most important functions of packaging is to protect the contents from breakage, leakage, Pilferage, damage, climatic effect, etc. This kind of protection is required during storing, distribution and transportation of the product. Packaged goods generally are more cleaner and less susceptible to spilling and spoilage.

- iii) Facilitating use of the product - The size and shape of the package should be such that it should be convenient to open, handle and use for the consumer. Cosmetics, medicines and tubes of toothpastes etc. are good examples of this.
- iv) Promotion - Packaging is also used for promotion purposes. A startling colour scheme, photograph or type face may be used to attract the attention of the people at the point of purchase. Sometimes it may work even better than advertising. In self-service stores, this role of packaging become all the more important. It has to perform the functions of a salesman also.

#### 4.6 Product Life Cycle

The concept of produce life cycle attempts to recognise different stages in the sales history of a product. It assumes that, like human beings, all products have a life cycle. Generally there are four distinct stages in the sales history of a product, which, as shown in Figure 4.1, are:

1. Introductory Stage;
2. Growth Stage;
3. Maturity Stage; and
4. Decline Stage

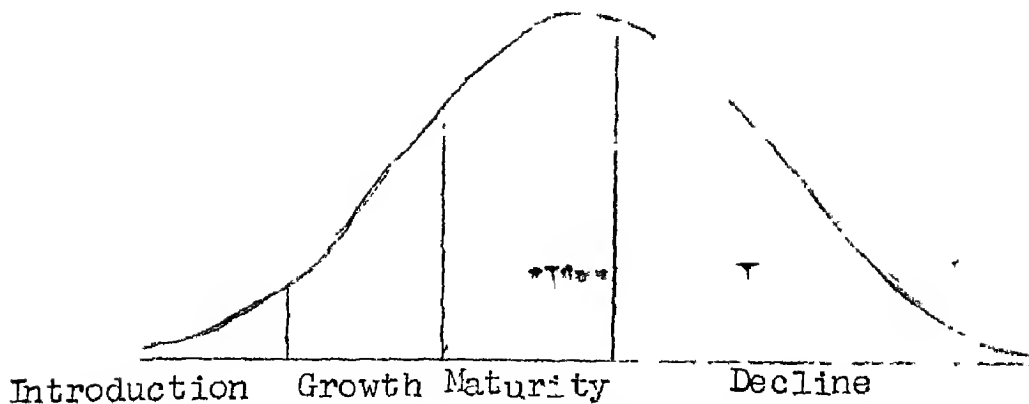


Exhibit 4.1: Product Life Cycle

A product's sales potential and profitability changes over these stages. Thus different marketing strategies are needed for products in different stages of the life cycle.

In the introductory stage, when the product is new many people don't know about its features, benefits, etc. Thus in order to inform and persuade the buyers, the firms have to spend more on promotion of the product. During the period of slow sales growth, the cost of production is high because of lower sale of production. Thus the profits are <sup>existent</sup> non/as there is heavy expenditure on product introduction.

In the Growth period, <sup>the</sup> sales grow at a rapid pace because of acceptance of the product in the market. The cost of production per unit comes down because of higher level of production. The promotion cost remains high . because of increased sales, the per unit promotion cost comes down. As a result, there is substantial improvement in the profits earned.

When the product attains a higher level of market acceptance and its sales grow at a decreasing rate, it is <sup>in this stage</sup> in the maturity stage. The profit margin/decline because of higher competition in the market.

In the decline stage, the product begins losing market acceptance. As a result, the sales show a higher downward movement. The profits start eroding. There is great pressure.

Different marketing strategies are needed for products in different stages of the life cycle. As a result it is important for a marketer to know the stage in which his product is.

#### 1.7 Summary

Product may be described as anything of value to the customer - if it is useful, has some attribute, place, for which is willing to pay price in exchange. There are different ways of classifying the products. Broadly, products may be divided into two categories - industrial products and consumer products. Consumer products may further be divided into durable, non-durable and services. On the basis of shopping effort involved the consumer's products may be classified into convenience products, shopping products and specialty products. It is important to understand these classifications as different strategies are needed to market different types of the products.

An important decision with respect to 'product' is whether to use brand name or to market the products under a generic name. There are various advantages of selling the products under a brand name. Apart from describing these, the other advantages of brand name have been described.

A marketer has to take many important decisions with respect to packaging of the products. Packaging refers to the art of designing and producing the containers or wrapper of a product. There are three levels of packaging - primary, secondary and tertiary packaging.

Apart from describing the functions of packaging the reasons for the increasing role of packaging have been described in this chapter.

Lastly, there is a discussion regarding the concept of product life cycle. The product life cycle is an attempt to recognise different stages in the sales history of a product. The four distinct stages in the sales history of a product, generally are introduction stage, growth stage, maturity stage and Decline stage.

#### 4.8 Review Questions

- Q.1 What do understand by the term 'product'?
- Q.2 What is the distinction between consumer products and Industrial products? Is this distinction important from the point of view of making strategies for the marketing of these products?
- Q.3 What is a shopping product? How is it different from convenience product?
- Q.4 What do you mean by services? What are the characteristics of services which distinguish them from a product.
- Q.5 What do you mean by the term 'Branding'? What are the advantages of selling the products under a brand name?
- Q.6 Explain the following terms:
  - (i) Brand (ii) Brand name (iii) Trade mark
- Q.7 To what changes in the Indian economy would you describe the increasing emphasis on packaging?

Q. 8. What are the twin purposes of packaging? In a developing economy which aspect would you emphasise more and why?

Q.9 What are the main functions<sup>of</sup> packaging? Show how these functions are interrelated.

Q.10. What do you understand by the concept of product life cycle? What are the distinct stages in the life cycle of a product?

Q.11. Give example of products which are in the 'maturity stage' and 'introduction stage'. Do we need different strategies for marketing of the products in different stages of PLC ? Explain.

CHAPTER 5

PRICING

Learning Objectives

After reading this chapter, you should be able to:

- a) explain the meaning and role of pricing;
- b) identify the factors which are taken into consideration while fixing the price of a product or service;
- c) describe how prices are fixed in practice; and
- d) list out various forms of discounts and allowances used by firms to adjust their prices.

5.1 Introduction

In the previous chapter you have studied about the first important element of marketing mix, viz., Product. It may be noted that howsoever good the product of a organisation may be, it would not sell unless it is priced at a level which is affordable by its target customers. Thus, pricing occupies a very important role in marketing of products and services. The present chapter has been devoted to describe the meaning and role of pricing and also the methods used in actual practice for the fixation of price of a product.

5.2 Meaning and Role

When you buy a product, you pay some money for it. This money represents, in quantitative terms, the value of the product to you. This is referred to as the price of the product. Similarly, you pay for any service you use, such as fare for the transport service, premium for an insurance policy, fee to a doctor for his medical advice, and so on. These are the prices of the services provided by the respective persons or organisations. Thus, price may be defined as the value of a product or service described in terms of money.

The process involved in <sup>the</sup>fixation of prices of the products or services of a firm is referred to as pricing. Pricing occupies an important place in the marketing of goods and services by a firm. The role played by pricing is described as follows:

- a) No marketer can launch a product without a price tag or atleast some guidelines for pricing. Also pricing affects many of the items of marketing strategy such as product positioning, segmentation, packaging, advertising, etc.
- b) Price is often used as a regulator of <sup>the</sup>demand of a product. In other words, the demand for most of the products can be changed by changing its price. Generally, if the price of a product is increased, its demand reduces, and vis-a-versa.
- c) Pricing is considered to be an effective competitive weapon. In the condition of perfect competition, most of the firms compete with each other on the basis of this factor.
- d) Pricing is the single most important factor which affects the revenues and profits of a firm. Thus, most marketing firms give a very high importance to fixation of the price for its products and services.

The question that comes to the mind is what <sup>the right</sup> price for a product or service. In order to understand that, it would be important to know the factors affecting price determination.

### 3 Factors affecting Price Determination

Price determination is a very complicated task. It is so because there are number of factors which are taken into consideration while fixing the price of a product. Some of the important factors in this regard are as follows:

1. Product costs,



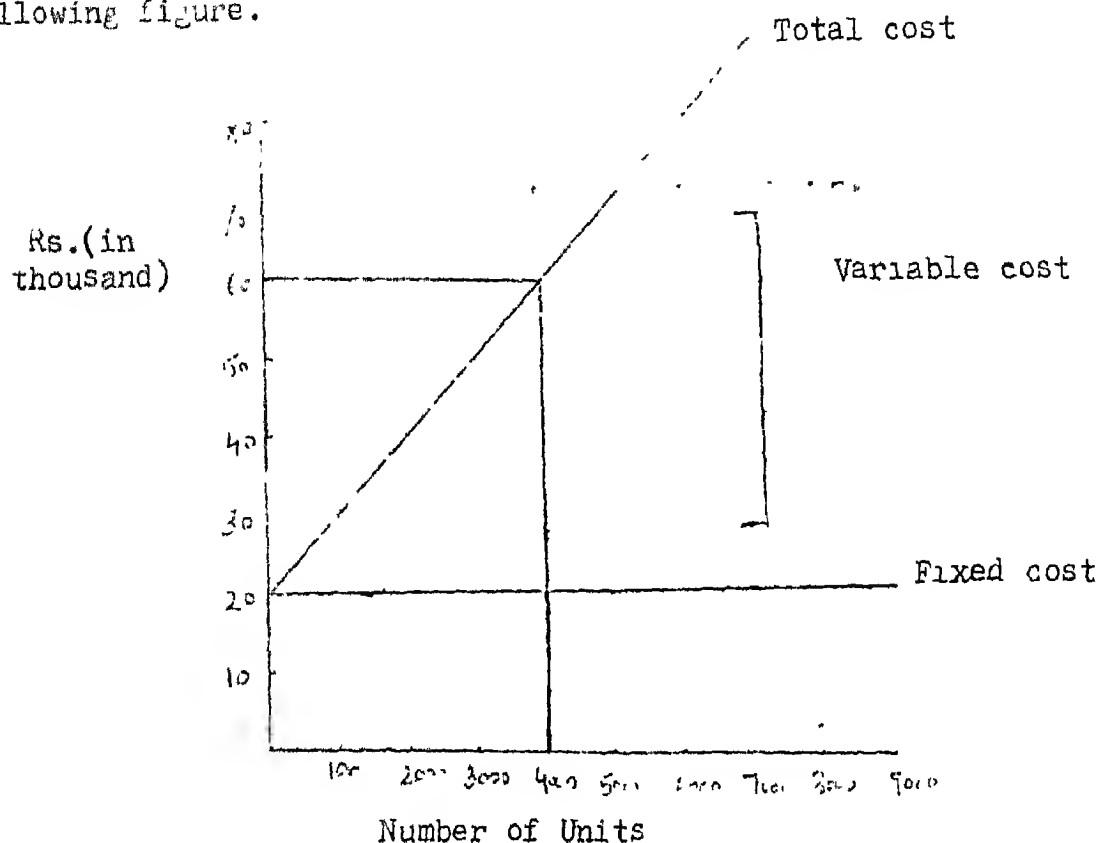
2. Product utility (to the buyer) and the demand intensity;
3. Degree of competition;
4. Government policies;
5. Company objectives, and
6. Marketing method used.

1. Product Costs: The first major factor affecting price of a product or service is its cost. This includes the cost of producing, distributing and selling a product. The cost, generally set the minimum level or the floor price at which the product may be sold. Generally all marketing firms strive to cover all their costs, at least in the long run. In addition, they aim at earning a margin of profit (over the costs). There may be certain circumstances, for sometime (as in the case of introducing a new product or while entering a new market) when the products may be sold at a price which does not cover all the costs. But, in the long run, a firm can not survive unless atleast all its costs are covered.

There are two types of costs. Fixed costs and variable costs. Fixed costs are these costs which do not vary with the volume of production or sale. For example, whether you produce 1000 units or 10 units in a week, you will have to incur certain expenses such as rent of the building, salary of the salesforce, interest on the borrowed funds and so on. These costs are called fixed costs because in the short run, these do not change with a change in the level of <sup>firm's</sup> activities.

Variable Costs: Those costs which vary with the level of activity are called variable costs. For example, the costs of raw material, labour, power, etc. are directly, related with the quantity of goods produced. These costs can be controlled say by changing the level of production. In producing 100 metres of cloth, yarn worth Rs.250.00 is used, the cost of yarn used for producing 2000 metres of cloth will be Rs.5000.00. Obviously, there will be no cost of yarn if there is no production of cloth.

Total Costs are the sum total of the fixed and variable costs for the specific quantity produced. This can be shown with the help of following figure.



Ex.bit 5.1 Cost of Production

### The Utility and Demand:

While the product costs set the lower limits of the price, the utility provided by the product and the intensity of demand of the buyer sets the ceiling price or the upper limit of price which the buyer would be prepared to pay. In fact the price must reflect the interest of both the parties to the transaction - the buyer and the seller. The buyer would be ready to pay up to the point where the utility from the purchase of the product is atleast equal to the sacrifice made by him in terms of the price paid. The seller would, however, try to atleast cover the costs.

According to the law of demand, consumers usually purchase more units at a low price than at a high price. The price elasticity of demand is an index of the sensitivity of buyers to price changes in terms of the quantities they will purchase. Price

elasticity is calculated by dividing the percentage change in the quantity demanded by the percentage change in the price charged:

$$\text{Price Elasticity} = \frac{\frac{\text{Quantity 1} - \text{Quantity 2}}{\text{Quantity 1} + \text{Quantity 2}}}{\frac{\text{Price 1} - \text{Price 2}}{\text{Price 1} + \text{Price 2}}}$$

The demand is said to be elastic if a relatively small change in price results in large changes in the quantity demanded. Here numerically, <sup>the</sup> price elasticity is greater than one. In the case of elastic demand, the total revenue increases when the price is reduced, and vice versa. The demand is said to be inelastic when the price changes have little impact on the quantity demanded. Here the price elasticity is less than one. In the case of inelastic demand, the total revenue increases when the price is increased and goes down when the price is reduced.

If the demand of a product is elastic, the firm is in a better position to fix higher prices.

### 3. Competition

The nature and the degree of competition is the third important factor affecting the price determination. Between the lower limit (floor price) and the upper limit (ceiling price) where the price tends to settle down? This is affected by the degree of competition in the market, relating to the product. In the absence of competition the price will tend to rise on the upper limit, while under conditions of a free competition, the price will tend to be set at the lowest level.

Competitors' prices and their anticipated reactions must be considered before fixing the price of a product. Not only the price but the quality and the features of the competitive products must be examined carefully before fixing the price.

#### 4. Government and legal regulations.

Suppose the total costs of a life-saving drug manufactured by a monopoly firm are Rs. 15.00 per capsule and the buyer is prepared to pay any amount for it, say Rs. 2000/-. In the absence of any competitor, the seller might be tempted to extort the maximum amount of Rs. 2000/- for the drug. Will the company be permitted to do so? Usually in such a case the government do not allow the firm to charge such a high price to protect the interest of the customers. Thus, the Government may intervene and regulate the price of the drug. This can be done by the Government declaring the drug as essential commodity and regulating the price. Adverse public opinion and alert citizens group also may get a legislation enacted by Parliament in order to deal with such a situation. Apart from that, various consumer organisations serve as a watch dog to force the unscrupulous sellers to refrain from charging excessive price.

Legislative measures have been provided in India and elsewhere to curb monopolistic and unfair practices in the field of price fixing.

#### 5. Company Objectives

Pricing objectives is another important factor affecting the fixation of price of a product or a service. Generally the objective is stated to be to maximise the profits. But there is a difference in maximising profit in the short run and in the long run. If the firm decides to maximise profit in the short run, it would tend to charge a higher price for its products. But if it is to maximise its total profit (and not per unit profit) in the long run, it would opt for a lower per unit price so that it can capture a larger share of market and greater profit through increased sales. Thus apart from profit maximisation in the short run, the pricing objectives

a) to obtain the maximum profit in the short run,

b) to survive in the market in the face of intense competition,

changing consumer wants etc.,

- c) to attain product quality leadership. In this case, normally higher prices are charged to cover high quality and high cost of R & D.

Thus the price fixation would depend upon what objective does the firm want to achieve.

#### 6. Marketing Methods Used:

Price fixation process is also affected by other elements of marketing such as distribution system, quality of salesman employed, quality and amount of advertising, sales promotion/ efforts the type of packaging, product differentiation, credit facility and customer service provided. For example, if a company provides free home delivery, it has some degree of flexibility in fixing prices. Similarly, uniqueness of any of the elements mentioned above gives the company a competitive freedom in fixing price of its products.

#### 5.4 Methods of Price Determination

As discussed in the previous sections three major factors affecting the price of a product are its cost, demand and degree of competition in the market. Based on the relative emphasis given to these factors the three major methods of fixing the price of a product can be as follows:

1. Price based on the total product costs plus some margin of profit. This is referred to as the cost oriented pricing.
2. Price based on the value of the product to the buyer and his demand intensity. This method of fixing the price is referred to as demand oriented price.
3. Price based on competitors' prices prevailing in the market. This method is referred to as competition - oriented pricing.

#### 5.4.1 Cost-Based Pricing

Cost based pricing is the most commonly used method of pricing. This method is used, particularly by small traders <sup>and</sup> manufacturers of special products which are made to customer specification. The service companies and contractors performing non routine jobs (which are difficult to cost) also prefer to use this method as it is the simplest method of pricing.

One of the most important method which takes cost as the basis is the 'Cost-Plus' method of pricing. Under this method, the price of a product is arrived at by adding the total cost of the product and the desired margin of product. The total cost of a product includes the manufacturing cost, distribution cost and selling cost. The following example would illustrate the method of cost-plus pricing. Let us say the different costs per unit of a product are as follows:

Manufacturing cost	: Rs.20.00
Distribution cost	: Rs. 3.00
Selling Cost	<u>: Rs. 2.00</u>
Total product cost	<u>: Rs.25.00</u>

Let us say the desired level of profit is 20 percent of the product cost, (Rs.5/- per unit in this case), the price of the product will be cost (Rs.25/-) + Margin of Profit (Rs.5/-) = Rs.30/-.

Thus, the price of a product, under this method would be equal to its costs + the desired margin of profit, which varies from product to product or firm to firm. This method is most commonly used because of the following reasons:

1. Social fairness: This method enables a firm to cover its costs and to earn a fair margin of profit. At the same time the seller does not take advantage <sup>when</sup> demand is high. Thus, this method is quite justifiable on grounds of fairness to both the sellers and the buyers.

ii. Simplicity: The method is easy to understand and implement as there is generally less uncertainty about costs than about the demand.

However, in this method the marketing firm ignores the demand side of the product. The fact whether the demand for the product is intense or low is not taken into consideration while fixing the prices.

This method also ignores competitor's prices while fixing the price. Also if the firm incurs higher costs in the manufacturing of <sup>a</sup>product <sup>or</sup> its distribution or promotion, either due to inefficient purchase or operations or due to the price changes of material or other reasons, the buyer will have to pay more because the price is based on cost. The competitors in such a situation will then have relative advantage as compared with the firm, with the result that the firm will not be able to attract enough customers. Similarly this method will not enable the firm to earn extra profit by fixing a price that market will stand if its costs are low due to efficiency in purchase, production, distribution or selling.

#### 5.4.2 Demand-Oriented Pricing

In stead of fixing the price on the basis of costs, another alternative is to charge price on the basis of intensity of demand for the products. In other words, irrespective of the unit cost or what the competitors are charging, higher price is charged for a product when its demand is more and lower price is charged when the demand is less. The different methods of pricing under this approach are: (1) differential pricing, and (2) perceived value pricing.

#### 5.4.2.1 Differential Pricing or Market Segmentation Pricing

Generally, different groups of buyers have different wants and desires. As a result, the elasticity of demand for the product would also be different. In such situation, the sellers would be tempted to charge higher price from those having less elastic demand and lower price from those having more elastic demand, even when the costs do not change. What they actually do in these circumstances is to segment the market on certain basis and charge different prices from each segment, depending upon the elasticity of its demand. The four most common basis of market segmentation are as follows.

- i) Customers: Under this method, different prices are fixed for different persons or groups of persons for the same product or service. This may be possible due to the difference in their capacity of bargaining, or the level of knowledge about the product, its features, availability, or intensity of demand.
- ii. Place (Location of customer): If the prices are different for the same product in different places, it is a case of location (or place) differential. For example, in a cinema hall tickets for different classes of seats are priced at different rates.
- iii) Time of Purchase: In terms of time, the demand for a product frequently varies by season, day, or even by the hour of the day. The prices may be fixed to take advantage of the demand intensity at a particular season or time. For example, rates for telephone calls fixed by the Indian Telephone Nigam are different for the peak time and off-peak time of the day. Similarly, hotels are charging different rates for the same accommodation during peak tourist season and off season.



iv. Product Version: Differential pricing is product-form based when a seller charges substantially different prices from the buyers of slightly different products, so that the difference in prices is more than proportionate to the cost of the different product forms or versions. The hard-bound original American edition of Philip Kotler's book on 'Principles of Marketing' is priced at Rs.575/-, whereas the Eastern Economy Edition of the same book is priced at Rs.75/- only, the contents of the two editions being exactly the same. The only difference is in the quality of the paper used and the use of colour pictorials and diagrams in the hard-bound edition.

The method of price discrimination ensures maximization of profits for the seller as every person is charged the highest profits for the seller as every person is/that can be extracted from him. But the buyers may object to it on the basis of morality or, in certain cases, on the basis of legality. The conditions which are necessary for discriminating prices are as below:

1. The market must be segmentable on the basis of elasticity of demand
2. Members from segments where products are sold at lower price should not be able to turn round and resell in other segments.
3. Competitors should not be in a position to undersell in segment being charged higher price.
4. The practice should not breed customer resentment and ill will.

#### 4 5.4.2.2 Perceived-Value Pricing:

Different buyers may have different perception of the same product on the basis of its value to them. A cup of tea is priced differently by hotels and restaurants of different categories, because the buyer will assign different values to the same thing.

The firm using the perceived-value method of pricing has to ascertain the value of the product in the minds of different buyers for their perceived benefit in terms of its quality, features and attributes like colour, size, speed, durability, softness, etc.

#### 5.4.3 Competition-Oriented Pricing

Under this method price of a product or service is fixed on the basis of what the competitors are charging rather than on the demand or cost of the product or the perception of the buyers. It does not maintain a rigid relation between the price of a firm's products and its own cost or demand but places greater emphasis on competitor's price.

In such a case, the firm does not maintain elaborate records of various product costs. Nor does it try to ascertain the differing intensity of demand or the perception of the value of the product. The firm bases the price of its products on the going-rate prices of the market. The price is not necessarily the same as that charged by other competitors or by the industry leader; it can be lower, higher or at the same level. Whenever the industry leader or the trade association increases or decreases the price, the firm follows them. The practice of fixing the going-rate price is quite popular among traders, especially among the retailers. This method is popular because it is felt that going rate represents the collective wisdom of the industry and would yield a fair return to the trader. Another reason is that at times it is difficult to know how customers would react to the price differentials.

Competition-oriented price is also used when firms quote prices against tender notice or in <sup>an</sup> auction. The firms quoting the price or bidding at the auction try to guess the competitors' price quotations or go by the bids offered by others.

### 5.5 Discounts and Allowances:

Firms normally prepare the list prices to be quoted to the buyers and for display on the product labels. However, the market price, or the price actually charged from the consumer or the middleman, may not be the same as the list price. The list prices are adjusted through various discounts and rebates.

Discounts, sometimes called rebates, commissions, or allowances, are of various types. The major types are: quantity, trade, cash, seasonal and promotional discounts. These are discussed as below:

#### 5.5.1 Quantity Discounts

Quantity discount is a deduction from the list price which is offered for purchasing large quantity of the product. The seller allows a discount because sale in large quantity reduces the total selling cost of the firm as part of the burden of storing, transportation and finance is shifted to the buyer. Examples of quantity discount are: rice being sold at Rs.8.00 per kilogram and Rs.750 per quintal; and price of pencil at Rs.1/- each, Rs.11/- for a dozen of pencils and Rs.125/- per gross (12 dozen).

#### 5.5.2 Trade discount

Trade discount is a deduction offered to buyer for performing any function or service for the seller - such as for acting as a wholesaler or retailer. Since the functions and services provided by these intermediaries are different, the rate of discount offered to them will also be different. For example, wholesalers of detergent powder may be given discount at the rate of 5 percent of sales while the retailers may be given such discount to the extent of 10 percent of the sales.

### 5.5.3 Cash Discount

Cash discount is a deduction allowed to a buyer for making prompt payment of the bill. The discount is computed on the net amount payable after deducting the trade and the quantity discounts from the list price. Suppose the bills in respect of sale of a product shows (after deduction of trade and the quantity discounts) that Rs.450/- are payable to the seller. Let's say the terms of payment offered are "2/14, n/30". The buyer, in this case, can deduct 2 percent of the amount due (Rs.9) if the bill is paid within 14 days after the date of the bill. Otherwise, the whole amount due (i.e., Rs.450) must be paid within 30 days. Thus, cash discount includes three elements. (1) the percentage discount itself, (2) the time period during which the discount may be availed of and (3) the time when the bill becomes overdue.

### 5.5.4 Seasonal Discount

Many firms offer seasonal discount to their buyers on the sales made during the off-season period. This is offered to encourage the buyer to purchase during the periods of low or no sales. For example, a reduction of Rs.25/- may be allowed by a manufacturer of electric fans during the winter season, when there is very low demand of fans. The seasonal discount helps the seller in reducing his inventory cost and reducing the fluctuation in the sale of the product during a season.

### 5.5.5 Promotional Discounts

A promotional discount is a deduction allowed by a manufacturer to a wholesaler or retailer for performing the functions of promoting the product, such as advertising the product in local newspapers etc., arranging display of the product and participating in trade exhibitions.

### 5.6 Summary

Price of a product or service refers to its value, described in terms of money. In other words, price means the monetary value of a product or service. There are various factors determining the price of a product. This includes its cost, utility, degree of competition, government and legal regulation, pricing objectives and the marketing methods used by the firm.

In practice, there are three different approaches to pricing. These are a) the cost oriented approach; (b) the buyer oriented approach and; (c) the competition oriented approach.

In order to account for the various customers differences and changing situations the list price of a firm is adjusted through various discounts and rebates. The major types of discounts offered include - quantity discount, trade discount, cash discount, seasonal discount and promotional discount.

### 5.7 Review Questions

1. Explain the role of price as an element of marketing mix.
2. Explain the role of costs in determining the price of a product.
3. State the law of demand. Is it useful in fixing the price of a product?
4. Illustrate the merits and demerits of cost-oriented pricing.
5. List the factors which affect the final price of a product.
6. List three items of cost which can be classified as fixed costs.
7. List three items of cost which can be classified as variable cost.
8. State whether following statements are true or false
  - i) In case of elastic demand the firm is in a better position to increase its price and profit.
  - ii) Generally the government intervenes in the case of price fixation of essential commodities.

iii) Costs of manufacturing and marketing of a product provides the floor price.

9. Distinguish between:

- i. Quantity discount and trade discount
- ii. Fixed cost and variable cost.

10. The price of the education imparted to you is referred to as tuition fee. Name the price of the following services.

- i. Insurance
- ii. Civic amenities provided by the Municipal Board
- iii. Transport service
- iv. Housing
- v. Physicians consultation
- vi. Money lent by a bank
- vii. Services provided by a worker
- viii. Services provided by an executive

11. Collect a carton of toothpaste or a bottle of medicine.

You will find that it contains the information written on the label "Retail price not to exceed Rs.      local taxes extra",

What does it mean? What are the implications of this information?

Consult your teacher in this regard.

## Chapter 6 DISTRIBUTION

### Learning Objective

After reading this chapter, you should be able to:

- i) explain the importance of middlemen and their functions;
- ii) describe important functions performed by channels of distribution;
- iii) explain why channels used for consumer goods differ from those used for industrial goods; and
- iv) discuss meaning of physical distribution and its important components.

### 6.1 Introduction

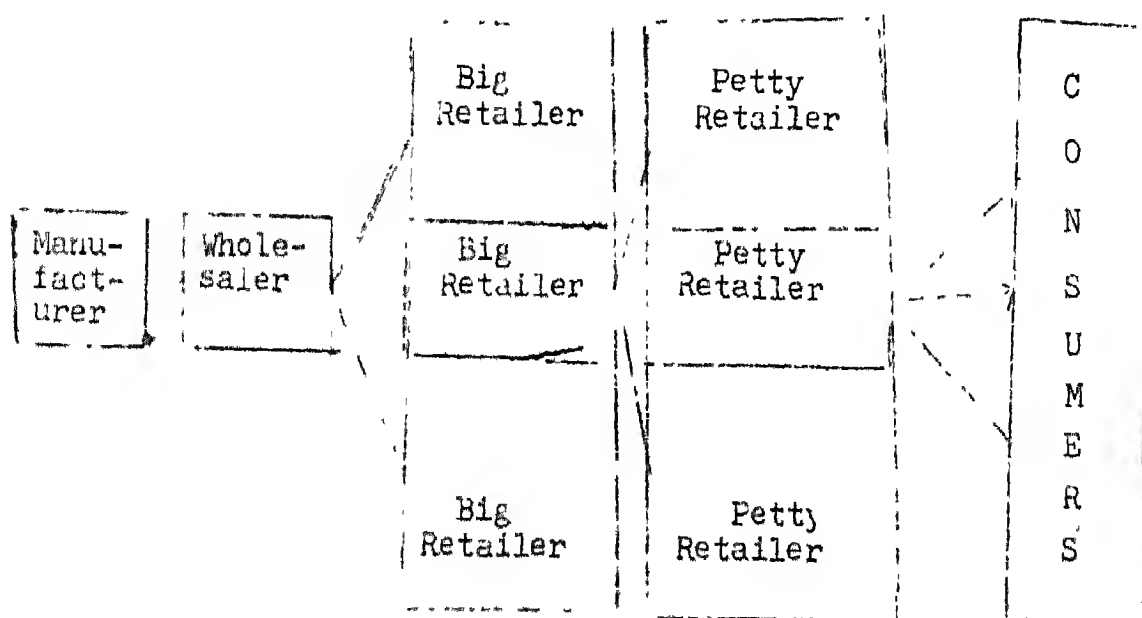
In the previous chapter, you have studied about how price of a product or service is fixed and what factors determine the price fixation of a firm's product. Once goods are manufactured, packaged, branded, priced and promoted they must be made available to customers for purchase and consumption. They must be available at the right place, in right quantity and at the right time. Often goods fail in the market place because the manufacturer fails to maintain their proper physical flow to the market due to faulty middlemen network, lack of coordination between channel members, etc. At times goods reach at the retailer's shelf in spoiled, pilfered or damaged conditions basically due to improper handling, warehousing and inventory management. High cost of transportation also renders the goods dealer. In the above circumstances the manufacturer will not be able to service the customers effectively. Thus even when the firm has a good product which is reasonably priced, it would not be able to maximise satisfaction of its customers as well as its sales unless it has an efficient system for the distribution of its products. Thus, distribution plays a very important role in the marketing of a product or service. The present chapter, therefore, takes up to discuss various important aspects of distribution of products, its functions and role of channels of distribution and discusses the meaning and

important components of physical distribution.

## 6.2 Concept of Channel of Distribution

Most manufacturers do not sell goods directly to consumers because consumers are scattered over a wide geographical area. They can not be contacted efficiently and effectively by them. They have, therefore, to take help of a number of functionaries for moving their goods to the customers. For example, a manufacturer of Biscuits in Delhi would find it very difficult to directly approach customers say in Bombay, Calcutta, Madras and other far off places. Therefore, he would supply a large quantity of his product to a big merchant in Bombay. This big merchant would then supply biscuits to relatively small sellers in various towns of Bombay. These sellers would in turn resell the goods to customers (see figure-6.1). In this manner goods are distributed from the place of production to the place of consumption. These people, institutions, merchants, functionaries who would take part in distribution function are called 'Channel of Distribution'.

Fig.6.1 Channels of Distribution used for a Consumer Product





Marketing channels are middleman, agents, merchants, organisations, dealers, etc., performing various activities to ensure smooth and easy flow of goods from producers to consumers. Thus consumer channels of distribution are defined as "the set of firms and individuals that take title, or assist in transferring title, to the particular good or service as it moves from the producer to the consumer". In other words, channel refers to 'a team of merchants and agent, business institutions that combine physical movement and title movement of products to reach specific markets'.

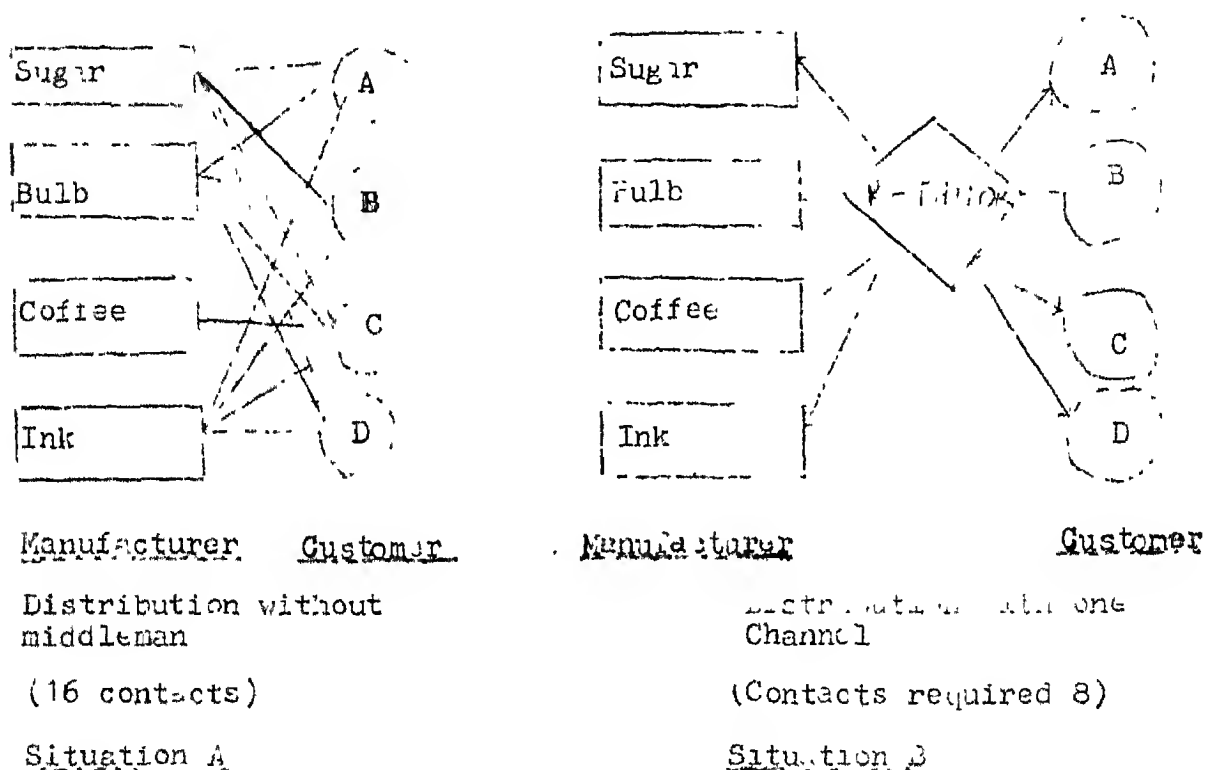
### 6.3 Importance of Middlemen

Mostly goods and services are distributed through a net work of marketing channels. Manufacturers of consumer goods usually do not sell their goods and services directly without any assistance from channels. We buy merchandise of our need such as salt, bulb, tea, sugar, soap, ink, paper, books, flour, etc. from retail sellers who function as final point in the distribution net work. In the previous section we have learnt that most products are distributed through a net work of marketing channels. The question, then, is why is the use of channels of distribution or marketing middlemen so common? Why distribution through middleman is preferred to direct distribution? The answer to these questions lies in the importance of channels, which can be seen from the following discussion :-

1) Economy of Effort: The channels bring economy of effort. This can be better understood with the help of an example, Let us say you have to buy four things, viz. sugar, bulb, coffee and ink. Most probably you would walk into a General Merchant's shop and buy all the articles from one place. Imagine what would happen if there are no middleman like retailers. In that case you would have to buy directly from the manufacturers of these products. Thus, there would be four contacts, each with the producer of sugar, bulb, coffee and ink. Compared to this there was only one contact when all the things were bought from the same retailer. Now let us assume that there are four customers needing the same four articles.

In all sixteen contacts would have to be made in case manufacturers directly market their products to consumers. This would require much more cost on transportation, telephone, and would cause greater inconvenience as compared to the situation when one middle man is used. This situation is illustrated in the following figure:

Figure.6.2 Economy of Efforts with the Use of Channel



### ii) Market Coverage

The spread of consumers over a large geographic area makes it necessary for the manufacturer to use middlemen. Consumers are usually not concentrated in an area, locality or a city. Whenever a manufacturer wants to cover a vast market and achieve a high-scale distribution, use of channels becomes essential.

### iii) Efficiency in Distribution

Distribution is a complex task. It consists of specialised activities such as selling, transportation, storage, negotiation, etc. A firm engaged in the manufacturing work and also doing direct distribution work can not perform the distribution work as efficiently

and economically as the firm engaged only in the distribution work.

#### iv. Difficulty in Distribution

Some consumer products need intensive distribution network to reach the final buyer. For example, the success of products like cigarette, soft drinks, newspapers and chocolates depends on how widely and easily they are made available to the consumer. The manufacturers of such products cannot create such a vast distribution network of their own. Thus they have to rely on middlemen, in order to move their products to the final buyers.

#### v. Market Information

Manufacturers are usually located away from the customers. Therefore, taking stock of various customer and market developments becomes very difficult. Since the middlemen work in close contact with the market, they have easy access to this information. They are perhaps the most authentic and reliable source of market information. Moreover, the cost of collecting such information through middlemen is generally

#### vi. Customer convenience

The middlemen enhance customer satisfaction and convenience as buying various items from a single store is easier and convenient as compared to buying the same from a number of places.

### 6.4 Types of Middleman

A middleman or channel member, as he is often referred to, is an independent business functionary who links the manufacturer with the consumer. There are two types of middleman : (a) Merchant middleman, and (b) Agent middleman

#### 6.4.1 Merchant Middleman

Merchant middleman are those intermediaries who actually take title and possession of goods. They have taken the manufacturer to the consumer. In other words, merchant middleman become owners in their own right and perform all necessary functions as principals in the process of distribution of goods and services. The two major types of merchant middleman are: (i) wholesaler and (ii) Retailer.

##### (i) Wholesaler.

The wholesaler is a marketing middleman acting between the manufacturer and the retailer. That is, the market for wholesaler is not consumers but retailers. One important characteristic of this type of middleman is that they deal in large quantities. They buy huge quantities of goods from manufacturers with a view to distribute them to retailers who, in turn, sells them to customers. For example, a wholesaler of rice may buy tonnes or truck loads of rice and sell to retailers in quintals who, in turn, sell it to consumers in kilograms or so.

##### ii) Retailer:

A retailer is a distribution intermediary who links wholesaler and consumer. He is the last unit in the channel net work. In contrast to a wholesaler, the retailer does not deal in bulk quantities. Usually wholesaler deals in large quantities of a few types of goods whereas retailer deal in small quantities of a many types of goods. The following are major types of retailers:

i) General Stores: These are found near the residential colonies. They stock a variety of goods needed by consumers for their everyday use.

ii) Single product-line stores: These types of retailers deal in only one type of products. These include chemists, footwear stores, bakery product stores and so on. Grocery shops.

- iii) Speciality stores: These stores specialise in satisfying a need of a particular type of customer. For example, women's boutiques, children wear shop (little kingdom), etc.
- iv) Exclusive Dealers. They deal exclusively in the products of only one manufacturer. For example, Vimal's exclusive store or Philip's show room.
- v) Department Stores: They seek to satisfy every customer need under one roof. These are usually very large store and stock items of wide variety. Such stores are not very common in India. A Department Store consists of several departments selling different categories of product.

#### 6.4.2 Agent Middleman

Agent middleman do not assume title to, or acquire ownership in, the process of distribution of goods. They actively assist in the transfer of title. The agent middleman simply functions as an agent of the manufacturer and bring about contracts between him and the customer. At times such middleman fixes price, determine terms and conditions of sale, arrange for delivery, etc. yet they do not become a part of the dealings with buyer. Since they do not act in their own right they assume no risk in the course of dealings.

Following are the main types of agent middlemen:

##### (i) Brokers:

Brokers do not buy or sell goods themselves. They simply act as contact persons who bring together buyers and sellers. Brokers are usually appointed by the sellers who search prospective buyers of the goods. They enter into deals with buyers on behalf of seller in the manner stipulated. As soon as the deal is clinched and a 'buyer - seller relationship' is established between the manufacturer and buyer, they disappear from the scene. Brokers personally do not assume any risk. For their services, commission is paid to them.

ii) Commission Agents:

They perform almost same role as that of broker. That is, they do not buy and sell goods in their account. Commission agents in addition to settling contracts between the seller and the buyer arrange for the supplies of goods and underwrite the sale. Therefore they maintain stocks of goods in their warehouses. Sometimes commission agents are authorised to sell on credit at their own risk. That is they undertake to bear the loss of bad debts arising due to credit sales. Such commission agents are called del credere agents. Del credere agents are paid extra commission for collecting dues from credit purchases and assumption of risk.

iii) Selling Agents: Selling agents are given exclusive rights to deal or sell manufacturer's goods in a particular area. That is, a territorial restriction is imposed on their area of operation. They work solely in designated territory so far as manufacturers products are concerned.

6.5 Functions of Channels

Channels of distribution smoothen the flow of goods by creating possession, place and time utilities. They facilitate movement of goods by overcoming various time, place and possession barriers/gaps that exist between the manufacturer and consumers.

Middleman perform the following important functions:

i) Sorting: Middleman procure supplies of goods from a variety of sources. And goods received from different places are often not the same in quality, nature, size, etc. For example a wholesaler of nut may procure a larger quantity from different nut producing areas, which would contain nut of varied quality and sizes. The first function that middleman performs is he divides this total supply into separate stocks that are relatively homogenous. That is, the wholesaler may break the whole quantity of nut into various grades like A, B and C depending upon size and quality.

ii) Accumulation: This function involves accumulation of goods into a larger homogenous stock.

iii) Allocation: Allocation involves dividing the stock into smaller marketable lots. For example, once goods are graded and larger quantities are built, then they are divided into convenient packs of say 1 kg, 500 gms and 250 gms, to sell them to different types of buyers.

iv) Assorting: Middlemen build assortment of products for resale. There is usually a difference between product lines manufacturers make and the assortment or combinations desired by the user. For example a badminton player may need a racket, shuttle cock, and net, a T-shirt, and a pair of shoes. Perhaps no one manufacturer produces these products in desired combination. Middleman procures a variety of goods from a number of sources and deliver them in combinations desired by customers. That is they adjust differences in what is produced by manufacturer and what is needed by customers.

v) Product Promotion: Mostly manufacturers perform advertising and other sales promotion activities.

At times middlemen also advertise or organise sales promotion activities such as demonstrations, special displays, contests, etc., to increase turnover of the firms products.

vi) Negotiation: Channels operate with manufacturer on the one hand and customer on the other. Thus, arriving at deal satisfying both the parties is another important function of middleman. They negotiate the price, quality, guarantee and other related matters with customers so that transfer of possession and/or ownership is properly effected.

vii) Risk Taking: Channels undertake the responsibility of the distribution of goods in the market. In this process, many middlemen assume title to the goods. In such circumstance, they assume great risk in connection with carrying out their work. The risk may occur on account of price and demand fluctuations, spoilage, destruction, etc.

## 6.6 Types of Channels

Whether the goods and services should be directly distributed by the manufacturer himself or through a network of channels is a very important decision. A manufacturer has a number of alternative routes of distribution. Whether the channel network should be short, consisting of a few intermediaries or long consisting of a larger number depends on a variety of factors. Broadly, a manufacturer may choose from direct distribution, to indirect distribution; from a short channel to a long channel of distribution. Each form of channel network differs in number and type of middleman involved.

### 6.6.1 Direct Channel :

The most simplest and the shortest mode of distribution is direct distribution. In this form, the manufacturer directly makes the goods available to customers without involving any intermediary. Here, a straight and direct relationship is established between the manufacturer and the customer. For example, when a manufacturer sells his goods through his own salesmen or showrooms (Bata, Caroma, etc.) he directly distributes the goods.

### 6.6.2 Indirect Distribution Channels

When a manufacturer employs one or more intermediaries to move goods from the point of production to the point of consumption, the distribution network is called indirect. This may take any of the following forms:

#### (a) Manufacturer - Retailer - Consumer

In this form of channel network, retailer is used as an intermediary between manufacturer and the consumer. That is goods pass from manufacturer to retailer who in turn sells them to final user. For example, Maruti Udyog sells its cars and vans through company approved retailers. This type of distribution network



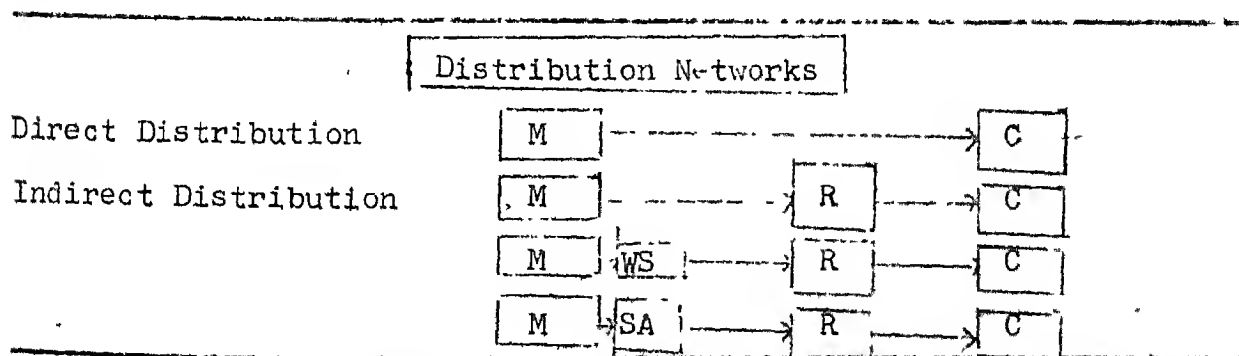
enables the manufacturer to cover wide area of market retaining control over Channels.

ii) Manufacturer → Wholesaler → Retailer → Consumer

This is the most commonly adopted distribution network in India. Most of the consumer goods like soaps, oils, clothes, rice, vegetable, pulses, etc., are distributed through this channel. Here the wholesaler and retailer function as connecting link between manufacturer and consumer. Wholesaler deals in bulk quantity and supplies goods to a number of retailers who in turn make them available to customers. Use of two middlemen in Channel network enables the manufacturer to cover even a larger market area.

iii) Manufacturer - Agent - Retailer - Consumer

Here the manufacturer uses his own selling agents or brokers in place of wholesaler. These agents connect manufacturer with the retailer. The main reason for the use of agents in place of wholesaler is that they are usually less expensive and allow manufacturer to maintain greater control over distribution. This type of channels are often used in the distribution of industrial raw materials and small equipments, textiles and agricultural seeds and fertilizers.



## 6.7 Channels for Consumer and Industrial Goods

A major determinant of the channel structure is the intended use of the product whether the industrial or consumer market. Industrial goods are meant for the buyers such as factories, institutions, or organisations engaged in production of goods or provision of any services whereas consumer goods are aimed at end

users for their consumption. Therefore same structure of channels of distribution can not be used for both the consumer and industrial goods. Industrial goods require different form of channels because they differ from consumer goods in product features, market characteristics and producer characteristics (see Figure 6.3). Industrial goods are usually technical, made to order, involve technical expertise and knowledge in sale negotiation, expensive, unstandardised, bulky and are meant for a few buyers. For example, computer installations, industrial equipments, custom-made installations, electric systems, shafts, etc. On the other hand consumer goods are usually standardised, less expensive, less bulky, require no technical knowledge or skill in negotiation, meant for a large number of customers and are frequently bought. The examples of consumer goods include tea, toothpaste, shampoo, electric bulb and cloth.

Figure 6.3 : Difference Between Consumer and Industrial Goods

Basis	Consumer Goods	Industrial Goods
1. Standardisation	Mostly standardised	Often made to order
2. Complexity	Rarely complex	Mostly complex
3. Number of customers	Large to very large	Small
4. Frequency of purchase	Very frequent	Low frequency
5. Technical knowledge and skills required in retailing	Not required	Required
6. Customer concentration	Scattered	Concentrated

The market, product and producer factors described above force the manufacturers of industrial goods to either distribute them directly or through a channel structure involving a few middlemen. Thus, short channel of distribution is ideal for the goods meant for industrial users. But consumer market can be better served by a channel net-work involving many middlemen.

## 6.6 Physical Distribution

Most marketing men place <sup>on</sup> ~~very~~ emphasis on manufacturing of quality products, their pricing, promotion and channel networks. This is not an end <sup>on</sup> ~~itself~~. Once goods are manufactured, packaged, branded, priced, promoted, they must be made available to customers at the right place, in right quantity and at the right time. That is goods should move to channel members in the most efficient way. A perpetual physical flow of goods should be maintained to the retailer's shop. They should always be adequately available. Adequate stocks of goods should be maintained to meet any sudden and regular demand. Above all these activities should be coordinated in a manner that twin objectives of customer satisfaction and profitability are simultaneously achieved. Physical distribution covers all the activities required to physically move the goods from the manufacturer to the customer. In some cases it includes the movement of raw materials from source of supply to the point of its use. These activities include transportation ~~various~~ <sup>various</sup> ~~channel~~ <sup>channel</sup> ~~management~~ <sup>management</sup> ~~and~~ <sup>and</sup> ~~warehousing~~ <sup>warehousing</sup>. It is concerned with the management of the physical flow of goods in the most efficient way.

Economy and satisfactory customer service are important objectives of physical distribution. Providing the right goods at the right places at the right time is the ultimate goal of a physical distribution system. However, a proper balance between the cost and the customer service needs to be achieved. At times, these goals conflict with each other. For example, speedier customer delivery favour use of a faster medium (e.g. airplane) but in terms of cost, it is not favoured. Similarly, for meeting sudden and unforeseen demand for goods requires maintenance of large inventory but this involves many types of risks and costs.

### Components of Physical Distribution

A physical distribution system usually consists of four major activities viz., order processing, inventory management and warehousing. Each of these components are explained below:

#### 1) Order Processing

In a typical buyer-seller relationship order placement is the first step. Products flow from the manufacturer to the customer via channel members while orders flow in the reverse direction, from the customer to the manufacturer. A retailer sells more tea to customers and his level of inventory falls below a certain level. Then he places an order with the wholesaler for more tea, who eventually places an order with the manufacturer. Another tea moves from manufacturer to wholesaler to retailer to customer. A good physical distribution system should provide for an accurate and speedy processing of orders. In the absence of speedy and accurate order processing, goods would reach the customers late or in wrong quantity or specification. This would result in customer dissatisfaction, with the danger of loss of business and goodwill.

Often companies use simple manual forms for order processing. However, many US companies use computerised system for order processing. These include electronic point of sale terminals (EPOS). Here computer terminals are connected with retailers computers and every purchase is recorded. When even inventory level of a particular item falls below a level and automatic order for desired quantity is placed with the manufacturer's computer.

ii) Transportation

Transportation is one of the major elements in the physical distribution. It is necessary because goods are generally not consumed at the place where they are produced. Transportation is means of carrying goods and raw materials from the point of production to the point of their use.

iii) Warehousing

Warehousing refers to the act of storing and assorting products in order to create time utility in them. The basic purpose of the warehousing activity is to arrange placement of goods and to supply storage facility to store them, consolidate them with other and similar products, divide them into smaller quantities and to build up assortment of products. Some of the important decision areas in respect of warehousing are: How many warehouses should the firm have? Where should these warehouses be located? and what should be the pattern of ownership of the warehouses (private or public).

Generally larger the number of warehouses a firm has, lesser would be the time taken in serving customers at different location but greater would be the cost of warehousing and vice-versa. Thus the firm has to strike a balance between the cost of warehousing and the level of customer service.

For products requiring long-term storage (such as agricultural products or products in limited demand) the warehouses are located near production sites. This helps in minimising the charges on transportation of the goods. On the other hand, the products which gain weight during production (soft drink) and bulky, hard to ship products (machinery, automobiles) as well as perishable products (bakery, meat, vegetables, etc.) are kept at different locations near the market.

#### iv) Inventory Control

Linked to warehousing decisions are the inventory decisions which hold key to success for manufacturers, especially those where the inventory cost may go as high as 30-40 percent (e.g. Steel and Automobiles). No wonder, therefore, that the new concept of Just-in-Time Inventory decision is becoming popular in an increasing number of companies.

The decision regarding level of inventory involves prediction about the demand for the product. A correct estimate of the demand helps to hold inventory and cost level down to a minimum. This not only helps the firm in terms of the cash flows but also in terms of its ability to maintain production at a consistent level. The major factors determining the inventory levels are:

- i. The firm's policy regarding the customer service level.
- ii. Degree of accuracy of the sales forecasts.
- iii. Responsiveness of the distribution system i.e. ability of the system to transmit inventory needs back to the factory and get the products in the market; and
- iv. The cost of inventory which consists of holding cost (such as cost of warehousing, tied up capital and obsolescence) and replenishment cost (including the manufacturing cost).

#### 6.9 Summary

Once goods are manufactured they should be made available to consumers. Most marketers do not distribute their goods directly. A number of intermediaries take part in title and/or physical movement of goods to the market. Channels play an important role in goods distribution. They provide economy of effort, enable greater market coverage, efficiency in distribution, necessary market information and enhance customer convenience. Marketing intermediaries in course of distribution perform more important

functions. These include sorting, accumulation, allocation, assorting, promotion, negotiation and risk assumption.

Normally there are two types of middlemen. Those who take title to goods are called merchant middlemen and those who do not take title to goods but actively assist in title transfer are called agent middlemen. Wholesalers, <sup>and</sup> retailers are merchant middlemen and agents, brokers, are of the nature of agent middlemen. Each manufacturer must identify alternative ways to reach market. That is, he may directly market the goods or use indirect distribution involving one or more <sup>of</sup> different types of middlemen.

Consumer goods are bought by consumers for their <sup>personal</sup> consumption and industrial goods are bought by firms, industries, organisations, etc., for production. Since both consumer and industrial goods significantly differ in their characteristics, nature of market, customer characteristics, etc., an identical channel of distribution can not be used for their distribution. Usually consumer goods are distributed involving many middlemen and industrial goods are marketed directly by the marketer.

Physical distribution covers all the activities required to physically move the goods from manufacturer to consumers or users. The important components of physical distribution includes order processing, transportation, warehousing and inventory management.

#### 6.10 Review Questions

1. Describe the role of distribution in the marketing mix?
2. Explain the concept of channels of distribution. What role do middlemen play in the distribution of goods and services?
3. Do you feel it is possible to eliminate middlemen? Illustrate your answer with the help of suitable examples.
4. What are the important functions performed by channels of distribution? Explain.
5. Distinguish between direct <sup>and</sup> indirect channels of distribution?
6. What are the components of physical distribution? Explain 'order processing' in details?

Learning Objectives

After studying this chapter you should be able to :

- explain the meaning and significance of promotion;
- evaluate the different tools of promotion, viz., advertising, personal selling, sales promotion and publicity;
- explain the factors which should be taken into consideration for determining the promotion-mix of a firm ; and
- evaluate the strengths and weaknesses of major advertising media.

7.1 Introduction

In the previous chapters you have learnt about three of the four P's of marketing mix, viz., product, price, and place. Now we turn to the last P i.e. Promotion. So far we have discussed how products are developed, priced and what route they follow in their way to the market. The present chapter is devoted to describing the meaning and significance of promotion. It evaluates the different elements of promotion mix, explain the factors determining the promotion mix. It also evaluates the strength and weakness of major advertising media.

7.2 Nature and Scope

Promotion as an element of marketing mix is used to encourage exchange in the market-place. That is, the marketer uses communication to inform and persuade existing and potential customers to buy a good or service.

A company may produce a good quality product, price it appropriately and make it available at the selling points which are convenient to customers. But in spite of all this, the product



may not sell well in the market. Once the product is made available, proper communication with the market must be made. The purpose of this communication effort by the marketer is to inform potential customers that product exists and what are its qualities. In the absence of communication, the customers would not be able to learn about the product and fail to know how it can satisfy their need and want. Thus the primary objective of promotion is to inform customers, present and potential, about the presence of a product.

At times adequate product information does not induce sufficient product purchase. That is, customers know about its presence and availability but, what they lack is confidence. In such a case, need arises that they are convinced about the product's virtues and utility. Hence marketers use promotion to persuade potential customers to try the product by demonstrating its value to them. Thus the second component in marketing communications is persuasion.

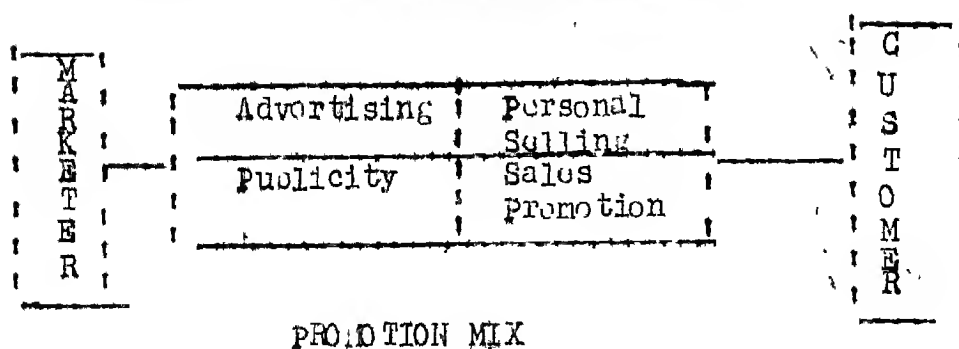
To sum up, promotion involves communication with twin objective of informing customers about a product and persuading them to buy the same. The promotion is an important tool of the marketing mix in which marketers make use of various tools of communication to encourage exchange of goods and services in the market place.

### .3 Promotion Mix

It is clear from the above discussion that the marketer must communicate with his customers. Various

tools of communication he uses to communicate with his customers form parts <sup>of</sup> 'promotion mix'. The communication or promotion mix consists of four major tools, viz., advertising, personal selling, sales promotion and publicity.

EXHIBIT : 71 Marketing Communication



7.3.1 Advertising : Advertising is perhaps the most known tool of promotion because of the visibility. It is an impersonal form of communication that is paid for by the marketers (sponsor) to promote a good or service. It is generally carried by the mass media --- newspapers, magazines, television, radio, billboards, etc., to reach a vast market. We generally come across hundreds of advertising messages everyday in television, radio, newspapers, etc. These advertisements tell us about various products such as toilet soaps, detergent powder, refrigerators and services such as hotels, beauty salons and insurance policies.

Features of Advertising

(i) Paid Form : Advertising is a paid form of communication. That is, the sponsor has to bear necessary expenditure for communicating with the prospects. This expenditure is incurred in the form of the developmental costs of advertisements and media (such as newspaper, television, etc.) which is used to carry message to the audience. Newspapers and television companies charge for placing advertisements the newspapers and relying advertisement respectively.

(ii) Impersonality : Advertising is impersonal form of communication, unlike personal selling where a direct face to face communication is involved. In advertising, no direct face to

face communication takes place between the sponsor and the prospects. Advertising is only able to take a monologue, not a dialogue. It is because of this one way communication, advertising is not as compelling as a company representative. The audience is not required to necessarily pay attention and respond to an advertising message.

(iii) Pervasiveness : Advertising is a pervasive medium of communication. It allows a marketer to establish communication with a large customer population. It also permits a marketer to send a message repetitively. For example, many consumer products advertisement (such as toilet soap & detergent powder) relayed through television, reach a very vast market. Marketers keep repeating them so as to continually establish link with the customers.

(iv) Identified Sponsor : Unlike publicity, advertising is undertaken by some identified individual or company. That is, there is one party who makes advertising efforts and also benefit from them. However, in publicity the one who makes the communication is different from the one who benefits from it. For example, if a company has developed a fuel efficient car and details about it appears in a newspaper. Here communication is done by newspaper and its benefits would be reaped by the car company.

Merits of advertising : Advertising as a medium of communication has following merits :

(i) Mass Reach - Advertising is the communication medium which has maximum reach. Through advertising the marketer can send message to geographically vast area. For example, an advertisement message relayed in the national transmission reaches almost the whole of India.

(ii) Enhancing customer satisfaction and confidence : Customer satisfaction, to some extent, is related with the product performance. Advertising affects the satisfaction level. A much advertised product leaves a customer more satisfied compared to less advertised product because customer feels more comfortable and assured about the product quality.

(iii) Expressiveness : (Dramatization) -- Advertising has developed into one of the most forceful medium to present a message. With the development of arts, computer designs, electronic gadgeting, a simple message can now be transformed into very forceful message. It is because of these special effects that simple products look very attractive in advertisement.

(iv) Economy : Advertising costs per message communicated are relatively low. Because of its wide reach, the overall cost of advertising gets spread over numerous communication links established. For example, a television commercial (advertisement) may be seen by hundreds of thousands or even millions of viewers. Thus apparently the total cost may seem high but the cost per message received will be very low.

Limitations of advertising : The following are the weaknesses of advertising as a tool of promotion.

- (i) Less forceful -- as advertising is an impersonal form of communication, it is less forceful as compared to personal selling. Advertising makes use of monologue and the prospects are not compelled to pay attention to the message. Thus many a times, the effort to communicate goes in vain.
- (ii) Lack of Feed back --- The evaluation of the effectiveness of advertising message is very difficult for the want of accurate feedback mechanism. However, in personal selling, the response of the customer to salesperson's communication can be instantly gathered.

(iii) Inflexibility --- As compared to personal selling advertising is relatively less flexible. Since a standardised message is directed to a large number of people etc. Hence, the message reaches the non-prospects which amount to a waste of advertising effort. Similarly they are also not tailor made to the requirements of the different customers groups.

(iv) Low Effectiveness --- One of the important developments in the area of advertising these days is the advertising explosion. That is, the volume of advertising is getting more and more increased. Companies spend lakhs of rupees on the advertising of their products. It is difficult to make advertising messages heard by the target prospects in this advertising noise.

### 3.2 Personal Selling

Personal selling involves oral presentation of message through the use of conversation with one or more prospective customers for the purpose of making sales. It is personal form of communication. Companies appoint persons who are generally known as field representatives or sales men. These people contact prospective buyers and create awareness about the product, develop product preference with an aim to make sale.

#### 3.2.1 Features of Personal Selling

- (i) Personal form --- In personal selling a direct face to face dialogue takes place. It involves an alive, immediate and interactive relationship. Hence two way communication is established.
- (ii) Relationship --- Personal selling allows sales persons to develop relationship with the prospective customers. At times this relationship takes the form of buyer-seller confrontation, and sometimes it assumes a deep personal friendship bond.

#### 3.2.2 Merits of personal selling

- (1) Flexibility : Flexibility is one of the important strengths of personal selling. In personal selling, a standardised message is communicated to a large number of people etc. Hence, the message

Hence salesmen have flexibility to adjust their presentation to fit the specific needs of individual customers.

(ii) Direct Feedback : Personal selling involves direct face to face communication. Unlike advertising, there is a two way communication between a sales person and a buyer in the case of personal selling. This allows a salesperson to have a direct feed back from the customer and adapt his presentation by making necessary adjustments, on the spot.

(iii) Minimum wastage : In advertising, there are greater chances of wastage as message is transmitted to whole of population. For example a television advertisement of refrigerator also gets transmitted to the cool region of the country where there is no buyer of refrigerators. In personal selling, however, the company can decide the target customers before making any contact with them. Thus the chances of wastage are minimum.

#### 7.3.2.3 Demerits of personal selling

(i) High cost ---It is quite true that in personal selling very little efforts are wasted yet it is a costly alternative of promotion. A company needs to appoint salesperson on regular basis, train them and continuously motivate them. This involves a lot of expenditure. Thus the cost of developing and operating team of salespeople is high.

#### 7.3.3 Sales Promotion

Sales promotion means the use of short term incentives which are designed to encourage immediate purchase of a product or service by the buyer. Sales promotion includes activities like discounts, store displays, contests, demonstrations, free gift offers, and free sample distribution. Sales promotion is usually undertaken to supplement other promotional efforts (i.e. advertising and personal selling).

Companies use sales promotion tools specifically designed to promote customer (e.g. free samples, discounts, and contests), to promote tradesmen or middlemen (e.g. Cooperative advertising, dealer discounts and dealer incentives and contests) and to promote salesperson (e.g. bonus, salesmen contests, special offers).

#### 7.3.3.1 Feature of Sales Promotion

- (i) Short-term Nature --- Various sales promotion activities by nature can not be used for sustained period of time. These activities are adopted by the firms in special circumstances in order to have immediate results. Use of a promotion tool for long period of time can bring more disadvantages than benefits.
- (ii) Residual Classification --- Sales promotion tools or activities include all promotional efforts that could be used by a company to boost sale but cannot be classified as advertising, personal selling, or publicity. Sales promotion tools are used to supplement the personal selling and advertising effort.

#### 7.3.3.2 Merits of sales promotion

- (i) Attention getting value : Most sales promotion activities come in the form of some incentive to the customer. Because they are not used frequently and for a long period of time, they get attention of the customers. They tell the buyers of a change that they won't have again, to get something special. For example, a free gift offer made by a company is likely to attract attention not only of the regular buyers but also that of the non-users of that product.
- (ii) Useful in New Product Launch : Survival in present competitive market without new product introduction is very difficult. Therefore, every year thousands of new products and new brands of a product are introduced in the

market place. At this time, the most important factor that determines the success is the trial of the new product. That is, buyers should be made to break away from their old buying habit. Free sampling, product demonstration and initial discount are very useful in inducing trial of new product.

(iii) Synergy in Total Promotional Efforts : Sales promotion activities are designed to supplement and coordinate personal selling and advertising efforts. The use of sales promotion activities together with the other tools of promotion (i.e. advertising and personal selling) add to overall effectiveness of total promotional effort of the company. That is, a mix of sales promotion along with advertising, for example, is likely to produce better results than advertising alone.

#### 7.3.3 Demerits of Sales Promotion

(i) Reflects Crisis : If a firm relies frequently on sales promotion, it may reflect a crisis situation. It is so because it gives the impression that the firm is unable to manage its sales or that there are not takers of its product.

(ii) Spoils Product Image : Another limitation of using sales promotion tools frequently is that the buyers may start feeling that the product is not of good quality and is not appropriately priced. They may also get a feeling that because the product can not compete well in the market the manufacturer is giving discounts or other incentives.

#### 7.3.4 Publicity

Publicity bears a lot of similarity with advertising as it is a non-personal form of communication. However it is different from advertising in the sense that it is a non-paid form of communication. Publicity generally takes place



When a favourable news is presented in the mass media about a product or service. For example, if a television manufacturer is successful in the television manufacturing, say by developing a new product, and this message is covered by television or radio or newspapers in the form of news item. It would be termed as publicity because the television manufacturer would benefit from such dissemination of information about its achievement by the press but would not bear any cost for the same.

#### 7.3.4.1 Features of Publicity

- (i) Unpaid form of communication -- Unlike advertising wherein the cost is borne by the advertiser, publicity does not involve any direct expenditure. Publicity is a kind of promotion effort which is undertaken by a party other than the one who benefits from the same.
- (ii) No identified sponsor -- Unlike advertising where the party undertaking the promotional efforts is identified and known, in publicity such sponsor is unidentified.

#### 7.3.4.2 Merits of Publicity

- (i) Credibility: Publicity is the dissemination of information about a product or service by an independent sender (e.g. the press). Since publicity takes the form of news stories and features, it tends to be more authentic. Such messages have a higher degree of credibility than if they come across as sponsored by a seller.
- (ii) Additional reach: Communication messages in the form of publicity can reach to even those persons who otherwise do not pay attention to paid communication (say advertising or personal selling). This happens because the message goes in the form of news rather than direct sales communication.

(iii) No Cost involved --- Publicity is a mode of communication that comes free of cost to the company. The company is not required to spend on media and message development.

#### 7.3.4.3 Demerits of Publicity

An important limitation of publicity as a medium of promotion is that it is not within the control of the company. That is, the company cannot use publicity to promote its product or service when it needs. The press would cover only those pieces of information which are newsworthy and symbolise some achievement in the field.

#### 7.4 Determination of Promotion

Deciding what combination of the different tools of promotion (i.e. Advertisement, Personal Selling, Sales Promotion and Publicity) should be used, is really a difficult and challenging job. It is not a simple task of choosing the best tool of promotion. Rather the promotion manager should decide the blend of all tools of promotion so that overall promotional objectives are efficiently achieved. He should decide what tool of promotion are more suitable in the particular situation and which one is to be given first priority. What makes this job so difficult is the fact that there are no hard and fast rules for determining the proper promotion mix. However, the following factors affect the decision about the choice of various methods of promotion.

(a) Nature of the product --- Different types of products or services require different promotion-mix. In general, for consumer products, advertisement is considered to be the most important tool, amply supported by Sales Promotion, Personal selling and Publicity, in that order. It is so because consumer products are usually non-technical, low priced and involve low risk. However for promotion of industrial products,

personal selling is more suitable tool, followed by Sales Promotion, Advertisement and Publicity because these goods are usually technical, involve high cost and risk. Persuasion is considered necessary for their sale.

b) Type of the market --- The number and concentration of potential customers also affects the promotion-mix. If the number of customers is quite large and they are scattered geographically, advertisement will be more suitable because advertisements have high reach potential. Whereas, if the number of customers is small and they are geographically concentrated, personal selling could be a more suitable tool.

c) Stage of the products life cycle --- Promotional strategies for a product are also influenced by the life cycle stage that a product is in at any given time. For example, during introduction stage, a heavy advertising is required, amount is spent to make consumers aware about the existence of the product. Also, the use of a sales promotion scheme, would be desirable to make people try the product. Personal Selling can be used to persuade dealers to carry the new product.

During the growth stage, when customers are aware of the product benefits and product is established in the market, sales promotion tools, could be withdrawn. But advertising and personal selling will continue to be important. During the maturity stage when competition gets intensified, the job of advertisement becomes more persuasive than informative. Sales Promotion once again becomes important to boost sale in saturating market.

d) The Budget available --- The amount of promotion budget affects the kind of promotion-mix a firm may use. For example, if a firm has ample funds, it can make more use of advertising whereas a firm having a smaller budget will have to rely on

cheap promotional tools such as minimal Personal Selling, dealer displays.

- (e) Push Vs. Pull Strategy means the firm through its pushes the product to the middlemen (i.e. wholesale and retailers), who in turn push it to consumers.

On the other hand, pull strategy means building up consumer demand by spending heavily on advertisement. Here the consumers ask for the product from middlemen and middlemen from the producer.

If a firm emphasise on push strategy, then personal selling will play an important role. If the emphasis is on pull strategy, then advertising will dominate the promotion-mix.

In conclusion, we can say that the different tools of promotion do not conflict with each other, rather they are complementary in nature. If a proper coordination is achieved in the different tools and an integrated promotional programme is designed, then far better results could be obtained.

## 7.5 Advertising Media

Promotion means communication with the customers. Once a message is ready, the marketer must choose appropriate vehicle or carrier which will take it to the target customers. The vehicle that is used to take an advertising message to the customer is called advertising media. There are a number of advertising media available. An advertising media may fall into any of the following categories:

- (i) Audio-visual media vehicle which carries the advertising messages in audio form such as radio.

- (ii) Visual - the media vehicle which carries advertising message in the visual form such as newspaper.
- (iii) Audio Visual - the audio-visual media vehicle is capable of carrying message in both audio and visual form such as television.

Among the various media types, each one varies in its reach, frequency and impact values. That is, no media can be designated as the best media for all the products. Depending upon the communication objectives and the nature of the product, a suitable media type may be chosen. For example, television as a media vehicle has more reach than newspapers but television messages are very short-lived compared to newspaper messages. In order to choose appropriate media vehicle(s) to communicate the advertising messages, the marketer must consider the characteristics of available advertising media. A discussion of various media is given below.

(1) Newspapers - Newspapers as an advertising media offer advantages in the form of flexibility, timeliness and good local coverage. Given the increasing newsreading habits, the newspapers are an effective means of reaching the customers. Since every local region has its own newspapers, they are excellent mode to communicate with the people of different regions by adapting the message to language and other regional differences. Second advantage of newspapers is that advertisements can be published at a very short-notice. The time period prior to publication usually does not exceed two or three days. Third, the life of newspaper advertisement is longer compared to radio or television. In addition to this, newspaper advertisements have high believability and low cost.

The disadvantages of newspapers are: first, readers do not pay much attention to newspaper advertisements because of poor quality of printing and absence of special effects. Secondly, newspapers are read only by only to educated population. This restricts its scope and coverage. Third, compared to other print medium such as magazines, newspaper have a short life.

ii) Magazines - Magazines are another visual advertising medium, as newspapers. They provide high-quality, colour, print and pictorial reproduction. These days a variety of high quality magazines on different themes are available; (such as sports, film, political, financial). Since most magazines are addressed to a theme, they allow the advertiser to be able to reach a specific market. For example sports magazines can take the message to the people with keen interest in sports and fashion magazines can effectively deliver the advertising messages to the fashion conscious people. Similarly, magazines can be distributed in different geographical areas such as Calcutta, Delhi and Bombay. Another merit of magazines as a advertising medium is that they have long life and provide opportunity for repeated exposure to an advertisement in a single issue. Magazines are also circulated among friends. This enhance the reach of advertisement.

On the negative side, this is a costly medium of advertising. Also like newspapers, this media cannot be used when we have to communicate with illiterate people.

iii) Radio - Radio is the form of communication media in which the communication take place in the form of verbal messages. It is perhaps the medium with the largest coverage. The radio programmes are listened every where. In the country, it is used for a large number of programmes.

other language and cultural differences. Therefore, the cost per advertising message delivered is the lowest in radio.

With the arrival of new means of entertainment the popularity of radio has declined considerably these days. Therefore, a large part of radio communication goes unattended. The life of Radio commercial is usually very short say 10 seconds to 30 seconds. Therefore they do not make much impact on the customers.

iv) Television - Television has the stages of both audio and visual medium of communication. It provides an opportunity to combine sight, sound, and motion. It has high reach and high attention value. Television offer great deal of creative flexibility. In television commercials product can be demonstrated and with use of latest computer aided designs and catchy music they can be made to have greater attention getting value.

However, television is a very costly media of communication. The cost of 10 second commercial ranges from Rs.40,000/- to Rs.80,000/- depending upon the broadcast time. It also involves considerable administrative delays because all the advertisements are required to be approved by the Directorate of Doordarshan. Lastly, since the time reserved for commercials is limited and there is great rush of the advertisers, it is difficult to get reply time of one's choice.

v) Out-door Media - The major types of outdoor medias available for advertising are boardings, kiosks, banners, neon signs and illuminated signs. All of these medias are now being used in commercial field in a big way. In almost all places of crowd such as railway stations, airports, road crossings and stadiums the advertisers put their hoardings, neon signs and displays. Outdoor media of

advertising is less costly compared to other mediums. It also enhances the overall visibility of product or service because the advertisements are displayed in the open which are exposed to a large population. The major demerit of outdoor media is that it can be used only for those products which require brief communication. It is not suitable for technical products (such as computers and industrial equipments) which require elaborate messages. Moreover with outdoor media, advertisers cannot reach a specific target population in terms of age, sex or profession.

vi) Other Media - Besides above mentioned media, advertisers use other innovative ideas to communicate with the customers. Advertising specialities such as calendars, diaries, key rings, are now gaining acceptance as a tool of communication. Some advertisers directly communicate with the customers through correspondence, distribution of leaflets and folders. Other new vehicles are business and other directories (like UDI's Yellow Pages, Industrial Directories, Telephone Directories) and video cassettes.

## 7.6 SUMMARY

Promotion involves communicating with potential buyers with a view to informing them about the availability of the products and persuading them to buy the products. There are four important elements in the promotion - mix of a firm. These are (a) Advertising; (b) Personal Selling; (c) Sales Promotion; and (d) Publicity.

Advertising is an impersonal form of communication which is paid and has an identified sponsor. The most important advantages of advertising are that it has a wide reach, it is economical and is very important in enhancing customer's satisfaction and confidence. However, it is inflexible and lacks feedback.



Personal selling involves oral communication message in the form of conversation with one or more prospective customers, for the purpose of making sale. The important merits of personal selling are that it is flexible and involves minimum wastage of efforts. It is also possible to have a direct feed back from the prospective customers. However, personal selling involves high cost and is not recommended for the promotion of consumer products, which are of mass consumption.

Sales promotion involves the use of short term incentives which are designed to encourage minimum purchase of a product. It includes activities like discount sales, contest, free gifts and free sample distribution. Sales promotion is generally undertaken to supplement other promotional efforts like advertising and personal selling. Sales promotion scheme have great attention getting value and are quite useful in promoting new products as well as the products which have reached the maturity stage.

Publicity is also a non-personal form of communication. It is different from advertising in the sense that it is a non-paid form of communication. Since publicity takes the form of news stories and features, it tends to be more authentic.

The most important factors that are taken into consideration while selecting the methods of promotion include nature of product, type of the market, stage of the product-life-cycle, the budget available, and the strategy of promotion adopted by a firm.

Advertising media refers to the vehicle or carrier which takes the message to the direct customers. There are three categories of advertising media which are (a) audio media; (b) visual media; (c) audio visual media. The most common advertising media includes newspapers,

magazines, television, radio and out-door media.

## 7.7 Review Questions

1. What do you mean by 'Promotion' ? What are the important elements of Promotion - mix ?
2. Describe important features of advertising. What role does it play in the promotion of goods and services?
3. Define personal selling. How is it different from advertising?
4. What do you understand by sales promotion? Under what circumstances is sale promotion more effective?
5. What are the factors determining the promotion-mix of a firm? Illustrate your answer with the help of suitable examples?
6. What are the important advertising media available in our country? Which media would you suggest for advertising a new brand of soft drinks in rural market?

Chapter II

MARKETING INFORMATION

Learning Objectives

After reading this chapter, you should be able to:

1. explain the meaning of marketing information;
2. appreciate the importance of marketing information;
3. distinguish between various sources of information;
4. suggest different sources from where marketing information may be collected;
5. critically appreciate the nature of various methods of data collection; and
6. explain the ways of organising marketing information in a firm.

8.1 Introduction

In the previous chapter, you have read about the role of physical distribution in the process of marketing of goods and services. The present chapter is devoted to explain the need and role of marketing information. It describes the various sources of information and explain different methods available for collection of marketing information.

8.2 The Need and Importance of Marketing Information

In the fast changing environment of business, the decision making in the area of marketing is getting more and more complex. It is in this context that marketing decision makers are increasingly finding it important to collect and use marketing information. The need for systematic gathering, analysis and use of marketing information can further be understood with the help of the following examples.

Consider the case : 'Your Choice' is a departmental store in a locality. It sells all kinds of articles of daily consumption such as bread, soaps, detergents, coffee, etc. It occupies reasonably big area and selling is done traditionally across the counter. That is, buyer names the product of his requirement and sales person hands it over to him. The store wants to increase its sales. The owner is seriously thinking how it can be done. Recently he has heard many buyers say that at times they buy things which they never intended to i.e. purely unplanned. Now he wants to confirm whether buyers really indulge in unplanned purchases, if so, what are the article they usually purchase and what can be done in store that other buyers visiting the store may also make unplanned purchases?

A similar kind of situation is also faced by 'Kay-Kay Detergents'. A door to door salesman who has shown extraordinary performance in Bombay is now placed in Aligarh. Inspite of his proved abilities of making sale to housewives in Bombay, he is unable to achieve success in Aligarh. This is troubling the management of Kay-Kay Detergents and it wants to soon answer to the mystery what is wrong with the territory or the salesman that targets are not being realised.

The above two cases exemplify situations where a problem is to be solved and necessary corrective actions are to be taken. Should 'Your Choice' store and 'Kay-Kay Detergents' decide a course of action on intuition (without any facts and relevant data) or necessary facts and information should be collected and analysed and then a decision be taken.

Decision making is a necessity in marketing management. A retailer has, for example, to decide about store layout and arrangement, point of purchase displays, pricing of products offered, handling of customer grievances, and so on. A manufacturer, must

know who his customers are, what are their buying habits, what product do they want, who are his competitors, how products are to be branded and packaged, etc. If a manager must have prior knowledge of his customers, the time when they can easily be contacted, when they are likely to make purchases, etc. Understanding of marketing situation is a must. Therefore information is critical to every marketing activity.

Decision taken on intuition or without proper information usually results into failure. In order to avoid that situation firms usually develop and maintain a mechanism which systematically collects, records, analyses relevant data from all sources and ensures availability of correct information to decision maker. This system is called marketing information system. A marketing information system consists of people, equipments, procedures which continually gather, sort, analyse, evaluate and distribute relevant, timely and accurate information. This information is gathered on continual basis. Timely availability of accurate and relevant information facilitates better decision making. A marketing information system in a firm typically collects information about competitors and their activities such as advertising, new product launches, price changes, etc., trends in the market such as demand fluctuations, fashions, fads, seasonal changes, customer preferences, etc. It also records information on firms sales, costs, inventory, cash flows, etc.

Some problem require additional or specific information which is not collected by MIS in the ordinary course. In such a circumstance MIS undertakes formal information gathering exercise. This is also called marketing research. It is systematic design, collection, analysis and reporting of data and findings relevant to a specific marketing situation or problem.

### 8.3 Uses of Marketing Information

Marketing information is utilised in solving diverse types of problems. Some of the important areas where such information is useful for arriving at right decisions are described as follows:

#### (i) Development of Product

When a marketer enters in the business activity, the first question that he confronts is what product is to be offered to the market. You will notice that every year a lot of new products are launched. Some of the new products that have been introduced in the recent past include Lux International Soap, Premier 118 NE Car and Binnies Potato Chips. Before launching a new product the marketer has to decide what should be its size, quality, price, packaging, name, colour, etc. For example, before introducing Lux International toilet soap, the Hindustan Lever (manufacturer) must have gathered and analysed information to arrive at decisions about its size, fragrance, package, etc., colour, price, etc. If product specifications and attributes are those which are not desired by the potential buyers there is all the possibility that it will not succeed in the market.

#### (ii) Development of Advertising

Advertising is a promotional tool which is used to inform and persuade the potential customer to buy a product. Marketers spend substantial amounts of money for advertising their products and services. But the question arises does the advertising accomplish its objectives effectively? That is, does it reach to target audience? Does it attract and persuade the potential buyers? For the development of effective advertising, the marketer must choose appropriate media, right message, right picture, right headlines, right time and right places. What is right and effective can only be decided if sufficient information is

Available about buyers interest and habits, media reach and effectiveness. For example if a 'beedi' marketer uses English magazines such as 'India Today' or 'Illustrated Weekly', to advertise his product will he be successful? The answer is 'No' because a vast majority of people who smoke beedi do not generally read these magazines. Therefore, it is essential to have information about their reading habits so that right media can be used to promote the product.

### (iii) Developing Channels of Distribution

Another area where marketer needs information is the development of channels of distribution. Distribution of goods and services has become very complex task. It is no longer a question of supplying goods to existing system of distribution. Rather, the marketer must evolve effective channels of distribution so that market could be served without any loss. While selecting channels, decisions about direct and indirect distribution, location of retail outlets, establishing cooperation between channel members, etc., are to be taken. Unless the marketer has information about existing channel alternatives, their cost, ability to serve, etc., no efficient channel strategy can be evolved. One of the factors behind the success of Titan Quartz watches is its innovative channel network. The company collected information about buying patterns of the market and existing channels which had not been used by any firm. The Titan decided to go in for multi channel distribution, i.e., direct distribution for large clients such as business organisations, traditional watch stores for ordinary market and exclusive dealers for buyers who place importance to place of purchase.

### (iv) Identification of Market Segments

It is quite understandable that a product can not be used and preferred by all individuals in the market. A typical marketing situation consists of buyers from different cultures,

racas, regions, relegions and income levels. If a marketer attempts to sell his product to all irrespective of their differences, it is very likely that he may not be able to do so. These differences in the buyers can not be ignored. Suppose a seller of hamburger aims to sell his product to the whole of the Indian market ignoring buyer differences, he will not be successful. The product may not be bought by villagers because they are not used to eat outside house. It may not appeal to elderly buyers because they do not like burgers and so on. It will also not appeal to rural market because rural buyers do not have the habit of out-eating, and people with lower income will not be able to afford the product. It is, therefore, essential for the marketer to focus its efforts on a market where the product is likely to be successful. What is the target market for a product can be decided only if sufficient information about sex, buying pattern, relegion, income, location etc. are available.

(v) Information for Market Planning

Marketing environment is . . . . . The force . . . . . surprising it keep changing. The competitors introduce new products and effect changes in pricing, advertising and distribution. Fashions and fads come and go. Government imposes restrictions and passes new legislations. Population, Age, composition, income structure of the population keeps changing. These on going changes exert pressure on the marketer to change marketing strategies accordingly. For example, with the enactment of the new Motor Vehicles Act, 1988, the Bajaj Scooters faced difficulty in marketing its scooters. The new law prohibits the sale of scooters without indicators. Similarly, traditionally well established Jawa Motor-cycles discovered their market suddenly vanishing with the advent of new fuel efficient technology based motor cycles such as Hero-honda, Yamaha, etc. Therefore, it is essential to plan marketing operations in advance to off set the effects of change.



### 3.4 Sources of Information

As discussed in the previous section, a proper marketing decision can not be taken unless correct information is available to the decision maker. A marketer can collect information from various sources. Broadly speaking marketing information is gathered from the following two sources. (i) internal sources and (ii) external sources.

(i) Internal sources. Internal sources of marketing information are those which are available within the organisation.

In its normal course of business, an organisation maintains different types of records, which can provide information about sales, price, cost, territory, types of customers, advertising expenditure, etc.

Some of the most commonly available records are the following types of accounting books and records such as (i) sales ledger, (ii) cost ledger, (iii) invoices, receipts, etc. (iv) sales reports (v) customer feedback, etc. This information may be quite useful in taking marketing decisions. For example, in deciding about promotion, the money spent on the last year may provide a piece of information.

Internal sources are advantageous to an organisation in two ways. Firstly, they are inexpensive as the firm does not spend extra money on it. Second, the information can be obtained easily as it lies within the organisation. This is useful for decision making.

(ii) External sources. External sources of information are those that lie outside the firm. These include:

(a) Libraries and records maintained by government departments. (b) Data collected by market research agencies. (c) Data collected by competitors. (d) Data collected by trade associations. (e) Data collected by government departments.

may be required for making decisions, a decision maker has to rely on external sources also for collecting the necessary information. For example, another way of classifying the sources of marketing information is: (a) Primary sources and (b) Secondary Sources.

(a) Primary sources: Information collected directly from the individuals or organisations about which the investigation is being made is called primary information or primary data. For example, if some information is required about the buying habits of <sup>some</sup> buyers and if it is collected directly from <sup>the</sup> individual buyers, it would be called primary data. The buyers who are contacted for getting such information becomes the source of getting the information. Other sources of obtaining such information can be employees of a firm, its salesmen, competitors etc. The important methods of collecting primary information are surveys, observations and experiment.

(b) Secondary sources: As collection of data from primary sources involves lot of time and money, generally secondary sources are used for the collection of needed information by most firms. The data collected through secondary sources is called secondary data. It consists of such information which has already been collected for some other purpose. It is that information or data which is not originally collected rather obtained from published or unpublished sources. When a decision maker utilises these sources for obtaining the needed information to solve his problem, he makes use of secondary information. Following are some of the important sources of obtaining secondary information:

- (i) Libraries - Libraries - both public and private which receive various reports, journals, books, documents from various institutions are good source of secondary information.
- (ii) Trade Publications - Trade/Industry associations and business houses publish relevant data about industry, competition, raw materials, government policy, imports and exports etc. in their

journals and magazines. These journals and magazines (e.g. Rubber India, Coffee Journal, Federation News, Economic Trends) are good sources of secondary information.

(iii) Government Publications - Various government departments and agencies regularly publish different reports, bulletins, etc. These governmental publications such as RBI's Bulletin, Report on currency and Finance, Export Import Statistics, etc., are useful sources of information for a decision maker.

(iv) Business Firms : Business firms also collect information for their use. At times they publish statistics and reports about their operations such as sales, profits, exports, etc., in their annual reports. These reports constitute useful source of obtaining secondary data.

(v) Specialised Agencies : In the recent past, many specialised agencies have emerged whose main function is the systematic collection, storing, analysis and supply of information. These agencies cater to the data needs of the decision maker and researchers. Some of the Indian professional information agencies are IMRB (India Market Research Bureau), ORG (Operational Research Group), MARG (Market and Research Group) and Path Finders. These agencies supply useful information which helps in speedier decision making.

(vi) Internal Records : All firms maintain their own records in the normal course of their business very exhaustive say with regard to sales, advertising expenditure, market share, etc. This proves to be very useful in an investigation.

### 8.5 Methods of Data Collection

There are different ways of collecting primary and secondary data. Also, there are different procedures and methods involved in their collection. However, given the advantages and disadvantages of secondary and primary information, the collection of secondary information is relatively easier. The major step in the collection of secondary information is identification of sources from which the information would be collected. The important sources of

documents, journals, data banks, books, government publications, etc. After identifying the source, efforts would be required to approach the source and collect the needed information.

The collection of primary data on the other hand, is not simple. It requires lot of efforts on the part of the investigator to collect primary data. The important method for the collection of primary data are given as below:

(a) Survey: Survey is the most widely used method for the collection of primary data. It is a method whereby the researcher collects information by asking questions to the people who form the basis of study. For example, a firm that wants to know about people's knowledge, beliefs, preferences, likes and dislikes, about some aspects may take up a survey to collect such information. There are three important ways in which the surveys can be conducted.

(i) Personal Interview: In this method data are collected by way of personal interaction between the investigator and the respondent about whom information is required. The interview may be taken at their homes, offices or some other place. Since interviewing is done face to face, correct answers can be expected to be obtained. However, this method can not be applied to obtain data at a very large scale because of non-availability of trained and competent interviewers. It is also time consuming and costlier method of information collection.

(ii) Telephonic Interview: Telephonic interviews involve use of telephone for making a contact with the respondents. The questioning is done on telephone. This method enables collection of information with considerable and at less cost but the limitation is that in a poor country like ours, all the people from whom the information is needed may not be having telephones.

(iii) Mail Interview: Mail interviews are particularly used to collect fairly large amount of information from respondents scattered over a vast area. In this method, questionnaire (a form having a number of questions) is sent to people from whom the information is to be obtained. This method provides respondents with greater flexibility in answering questions. They give more honest answers as there is nobody to shy from as there is no direct interaction involved. The respondents can take due time in finding the correct answers, However, the main disadvantage of this method is that it is time consuming and a large number of people do not return the questionnaires.

(iv) Observation Method: In this method, primary data are collected by observing people, objects, occurrences, actions and situations. For example, instead of asking people as to which particular soft drink do they like, data about their preference could be gathered by observing their actual purchases at a soft drink shop. This method is used to obtain information that people may be unable or uneasy to provide. For example, a researcher can observe which particular part of an advertisement interests him more. Similarly a small child can not give information about the taste of various baby cereals that are available in the market. This can only be observed by his facial expressions when he eats or tastes them.

Observation method can be used to collect information about (i) how buyer negotiates across the counter; (ii) how he moves around in a retail outlet; (iii) which particular cloth/dress is in fashion; (iv) through dust bin checks, which brand of an item of daily consumption is more popular, etc.

## 8.6 Organising Marketing Information

You have learnt that in order to manage marketing operations effectively, various decisions in the areas of product, price, promotion and physical distribution have to be taken by a firm on a continuous basis. A systematic collection, analysis and interpretation of information is necessary to ensure effectiveness of

the decision in these areas. To ensure that, a proper organisation of marketing information is essential. How can these information requirements be met is a question that management often faces. These are two broad alternatives available in this regard. These are:

(a) Maintaining own Marketing Information System: Mostly large companies who need information on an ongoing basis establish their own marketing information system. This system functions as a part of the organisation. The primary function of MIS in a company is to gather, sort, analyse, evaluate and distribute pertinent, timely, and accurate information for use by marketing decision maker.

This method of organising marketing information is not suitable for small companies which do not require data in large quantities on an ongoing basis. Secondly, it requires substantial investment in men, equipments and procedures which renders it beyond the reach of many smaller companies.

(b) Buying Information from outside Agencies: Buying information from outside agencies such as advertising agencies, professional data collection and services agencies, etc., is increasingly becoming popular these days. These agencies collect information about market shares, buying behaviour, or popularity, population shifts and changes, psychographic, media effectiveness and reach, etc., on continual basis and supply them to their clients. This enables to obtain marketing information without having collecting the same personally. Since these organisations are professional organisations, they are expert in their job. So the data is likely to be more reliable. The main disadvantage of buying information from an outside agency is that at times requisite data are not available. Secondly there are chances of supply of data which is outdated or unreliable.

Which particulars alternative a company should use i.e. whether it should develop its own marketing information department or buy information from outside agency will depend upon factors like financial and organisational strength of the company, informational requirements, quality and availability of information outside, etc.

#### 8.7 Summary

With an increase in the complexity of marketing decision making the need for systematic collection analysis and interpretation of information is increasingly felt. Such information is necessary in almost all areas of marketing such as product, price, promotion and physical distribution.

The major sources of collecting marketing information can be broadly classified into two categories, which are internal sources such as firm's own records, statements and files and external sources such as published documents, reports etc.

Another way of classifying sources of marketing information is putting them as primary and secondary sources. When information is collected directly from the subject, i.e. at hand, for the first time to solve the problem at hand, it is called primary information. While secondary information is collected originally by some body else for his purpose but the same information is utilised by the decision maker. The secondary sources of information include libraries, trade publications government publications, business firm's records, data collection agencies, etc.

The collection of secondary information is relatively an easy job. Here one has to first of all make a survey of the sources from where the needed information is to be collected. Then the suitable sources which offer desired information; considering the nature and type of information needed, is selected. Two important methods for collection of primary information are surveys and





1079 of 1, 1' 1" 108 10 11 12

... nel quale si nota come tutti

The following are the organizations which have been identified as having information relevant to the investigation:

1. The first of these is the "order" and "order" of the

What information system, Mr.?

the retailer from whom you buy articles

... and the ... fully ... the stock ...

node he keeps, maintains records of credit, sales

100% cash sales etc Try to find out what

...and I don't know what will happen.

Je suis sincère,

## CHAPTER 9 : MARKETING AND SOCIETY

### Learning Objectives

- after studying this chapter, you should be able to :
1. explain the social aspects of marketing and the major criticisms levelled against marketing ;
  2. evaluate the criticisms against marketing ;
  3. explain the concept of consumerism ;
  4. describe the role of government and the law in regulating undesirable marketing practices and protecting the consumer interest ; and
  5. explain the major provisions of the MRTD Act, Consumer Protection Act, Standards of Weights and Measures Act and Essential Commodities Act, as they serve to protect consumer.

### 9.1 Introduction

The previous chapters were devoted to describe in detail the meaning and role of marketing, the challenges and opportunities offered by the marketing environment and the concept and elements of marketing mix. The present chapter is a little deviation from these. It describes some of the important <sup>social/legal</sup> aspects of marketing. Apart from explaining the social aspects of marketing, it evaluates the criticisms against marketing. It also deals with the concept of consumerism and details some of the important laws regulating undesirable marketing practices.

### 9.2 Marketing and Society

Marketing and society have close interaction and inter dependence. It can have both positive and negative effects on consumer welfare. For its good and bad effect on society, marketing gets credit as well as discredit. Some of the important contribution of marketing to society

are as follows :

- (a) By making the right products and services available to consumers at right price, through conveniently located stores and by giving proper information and education to the buyer about the product, marketing helps the buyer in getting maximum utility from the product. Social responsibility involves business actions based on a sense of moral obligations.
- (b) Every day, from morning till evening, we make use of so many products, many of which were produced in different parts of the country or even outside the country. Marketing has made it all possible for us.
- (c) Marketing is an innovative activity. Through planning and introducing a new product, evolving and modifying the product package, adding new features to the product, suggesting new uses of the existing product, marketing plays the role of an innovator.
- (d) The slogan in the marketing world is : "innovate or die". The successful marketer is one who innovates ; he cannot depend on the old and existing products. If he does not innovate, the competition will drive him out of the market. Through innovation, marketing helps the society in enjoying the benefits of scientific research conducted in laboratories.
- (e) By bringing about efficiency in the distribution system marketing helps reduce the costs of distribution and make the product available to the consumer at the place and through the channel most convenient to him.
- (f) By adopting logical pricing policies, and rational price fixation, marketing managers can do a lot of service to the consumer and the society at large. Improved pricing decisions will lead to proper allocation of resources.

(g) Marketing communication has a direct link with the society. The major tools of communication - advertising, personal selling, publicity and sales promotion have significant impact on social awareness, knowledge and consumption patterns of consumers.

Advertising and publicity make use of the most media and the product messages carried of the media reach not only the buyers but also other members of the society. These messages serve as a useful price of consumer and public awareness and education. They go to a large extent in changing the social values and the beliefs and attitudes of individuals.

### 9.3 Objections against Marketing

Marketing is the most criticised part of business. Many of its activities attract public criticism. The major objections and criticisms against marketing can be classified under four categories.

- i. criticism pertaining to product
- ii. criticism pertaining to price
- iii. criticism pertaining to distribution
- iv. criticism pertaining to the promotion.

#### 9.3.1 The Product

Some people blame marketing for supplying defective, useless and poor-quality goods. Many unscrupulous people do not maintain the appropriate standards of quality control and fail to adhere to the product safety and quality standards laid down under the appropriate legislations such as the Drugs and Cosmetics Act, 1940 and the Bureau of Indian Standards Act, 1986, and the Agricultural Produce (grading and Marketing) Act, 1937. Consequently, many drugs have adverse side effects, products like stoves and electric lights lead to accidents leading to physical injury to consumers, including death.

People criticise marketing for creating artificial differentiation and often confusing buyers with similar or deceptively similar products. Too much money is being spent by certain suppliers on product packaging. Product labels often do not contain complete information needed by the consumer, such as contents, unit prices, directions for care and use, etc.

Product warranties and after-sale service contracts are often not honoured.

### 3.2 Prices

People criticise marketing for higher prices - of products and services. Among the factors responsible for price increase, three are attributed to marketing alone : high cost of distribution, high advertising, selling and sales promotion costs and higher margin of profit charged by the manufacturers.

### 3.3 Distribution

The criticism in respect of distributed system is that it often involves long channel and too many middlemen. Many retail outlets indulge in extravagant expenses on customer entertainment, airconditioned show-rooms, etc., which ultimately the customer pays through his nose.

### 3.4 Promotion

From the view point of social criticism, promotion is the most vulnerable area of marketing. People criticise marketing for misleading, exaggerated and often deceptive advertising claims about certain products. Many consumer goods companies spend too much on advertising, many of which are repetitive and unnecessary. Instead of spending so much on advertising and sales promotion, the company should give tangible benefits to the customers by way of price reduction and quality improvement. Many advertisements are questionable.

from the ethical view point. Some advertisements are in bad taste and cross the limits of decency and morality. Certain advertisements have evil effects on young children and make indecent portrayals of women. Many people are motivated to **buy** things which are not needed by them. Instead of being informative, most of the advertisements are persuasive and reminding.

Personal selling too has its own share of blame and brickbats. People criticise marketing of high-pressure and aggressive selling.

However, all these evil and undesirable practices of marketing arise in the absence of the marketing philosophy, namely, the customer orientation. If a company has actually adopted the marketing concept and <sup>gives</sup> customers his due importance and considers customers satisfaction as its ultimate goal of marketing, all of the above weaknesses of the marketing system will disappear.

#### 9.4 Consumerism

Consumerism is an organised movement of citizens and government to enhance the rights and power of buyers in relation to sellers.

John F. Kennedy, Former President of America, said that all consumers have the following four basic rights :

- i) Right to safety, (i.e. the products bought must be safe and free from risk and health hazard);
- ii) Right to be informed, (i.e. he should get complete and adequate information about the product and its usage) ;
- iii) Right to choose, (Choice in product selection through variety of products available); and
- iv) Right to be heard ( i.e. he should have voice in decision making and his grievance should be duly redressed).

In India, the following rights have been considered as basic rights of the consumers :

- (a) the right to be protected against the marketing of goods which are hazardous to life and property ;
- (b) the right to be informed about the quality, quantity potency, purity, standard and price of goods so as to protect the consumer against unfair trade practices ;
- (c) the right to be assured, wherever possible, access to a variety of goods at competitive prices ;
- (d) the right to be heard and to be assured that consumers interests will receive due consideration at appropriate forums ;
- (e) the right to seek redressal against unfair trade practices or unscrupulous exploitation of consumer ; and
- (f) the right to consumer education.

These rights of the consumers are sought to be produced and protected through legislative measures contained in a number of enactments and by voluntary consumers organisations. In fact, consumerism stands on two legs.

- i. Consumer protection through legislative measures which are enforced through the statutory enforcement machinery, and
- ii. Collective and organised efforts of consumers themselves against exploitative and unscrupulous businessmen.

More over, the business also have a role to play in consumerism. If the manufacturers and suppliers of goods and those providing services to consumers care for consumers, the role and importance of the two major wings of consumerism get reduced.

## 9.5 Role of the Government and the Law

Where the marketing people fail to discharge their social responsibility and behave in an irresponsible manner, the Government has to step in. For this purpose, certain legislative have been enacted. The major legislations in India which provide for the regulation of undesirable marketing practices and for the protection of consumer interest are as follows :

- (a) The Monopolies & Restrictive Trade Practices Act, 1969 ( as amended by the 1984 Act ).
- (b) The consumer Protection Act, 1986.
- (c) The Drugs & Cosmetics Act, 1940.
- (d) The Prevention of Food Adulteration Act, 1954.
- (e) The standards of Weights & Measures Act, 1976.
- (f) The Essential Commodities Act, 1955.

A brief introduction to the major provisions of these legislations will be given later in this chapter.

Apart from the legislations mentioned above, and their enforcement machinery, the central and state governments have executive powers to curb any such marketing practice which may be harmful to the public interest.

### 9.5.1 The Monopolies and Restrictive Trade Practice Act, 1969 :

The Monopolies and Restrictive Trade Practices (MRTP) 1969, is a major legislation which vitally influences the decisions and practices in the fields of production, distribution and supply of goods and provision of services in India. It serves as a major instrument of consumer protection.

The MRTP Act is intended to control monopolies and restrictive and unfair trade practices. The Act, however does not apply to public sector undertakings, government - managed private sector undertakings, financial institutions,



cooperative societies and trade unions.

A statutory high-powered body, known as the Monopolies and Restrictive Trade Practices (MRTP) Commission, has been set up to enforce the legislative provisions of the Act. It is headed by a judge of high court or the supreme court. It has 2 to 8 other members.

The Commission conducts inquiries in matters pertaining to control of monopolistic, restrictive and unfair trade practices. For purposes of conducting any inquiry, the Commission has the same powers as are vested in a civil court. The proceedings before the Commission are deemed to be of judicial nature.

In its working, the MRTP Commission is assisted by the Director-General of Investigation and Registration (D.G.I.&R.).

He is required to conduct investigations and to maintain a register of restrictive trade agreements. He also works as an advocate of the public interest in cases coming before the MRTP Commission.

#### 9.5.1.1 Monopolistic Trade Practices

In order to increase their profit and market power, certain business firms are tempted to charge unreasonably high prices and prevent competition in the market. They tend to lower the quality of goods supplied and to increase the prices. These business practices tend to create monopoly and often harm the public interest through the exploitation of consumers.

A monopolistic trade practice is essentially a trade practice which represents the abuse of market power in the production and marketing of goods or in the provision of services by charging unreasonably high prices, preventing

or reducing competition, limiting technical development, deteriorating product quality, or by adopting unfair or deceptive practices.

Monopolistic trade practices are sought to be regulated through appropriate orders issued by the Central Government (Department of Company Affairs), which is preceded by a formal enquiry conducted by the MRTP Commission.

The Central Government has been vested with wide powers to pass any order as "it may think fit" to remedy or prevent any mischiefs which result or may result from any monopolistic trade practice. It includes the direction to the party concerned to stop the said practice and not to continue it in future ("cease and desist" order). The order is legally binding on the party concerned and any non-compliance or disregard of the order amounts to an offence which is punishable under the Act.

#### 9.5.1.2 Restrictive Trade Practices

Marketers often indulge in certain trade practices which restrict, reduce or prevent competition in the market and thereby harm the consumer interest. Such trade practices are referred to as restrictive trade practice, (2).

The concept of restrictive trade practice is very broad and is not confined to trade only. It includes practices followed in the course of production, distribution or supply of goods and in the provision of services. A restrictive trade practice can be adopted by a manufacturer, distributor, dealer, supplier of goods, or by one who provides any service or carries on any profession or occupation.

Restrictive trade practices are sought to be regulated by three devices :

##### 1. Registration of restrictive trade practices ;

(2) For the precise definition of 'restrictive trade practices', see section 2(0) of the MRTP Act.

2. Restraining persons from indulging in restrictive trade practices by the MRTP Commission after an enquiry conducted by it ; and
3. Prohibition of minimum re-sale prices.

An agreement relating to a restrictive trade practice is required to be registered with the Director-General of Investigation and Registration. The types of restrictive trade practices, which make an agreement registrable, are listed in the MRTP Act.

The compulsory requirement of the registration of restrictive trade agreements serves as a deterrent to the public against resorting to restrictive trade practices.

The MRTP Commission is empowered to inquire into restrictive trade practices on any of the following four grounds:

- (i) a complaint received from any trade association or from any consumer or consumers' association ;
- (ii) a reference received from the Central Government or any State Government ;
- (iii) an application received from the Director-General of Investigation and Registration ;
- (iv) the Commission's knowledge or information.

After conducting the enquiry, if the MRTP Commission is of the opinion that the practice is harmful to the public interest, it would direct the party concerned to discontinue the practice and not to repeat the same. (Section 33(1) of the Act).

The effect on competition is of crucial importance in the regulation of restrictive trade practices.

While the sellers are encouraged to fix maximum sale prices for goods, they are forbidden from fixing minimum re-sale prices. No manufacturer or distributor is permitted to prescribe the minimum price for the sale of

goods. Exemption from the prohibition can be granted by the MRTP Commission only when the firm has satisfied the commission on any of the grounds specified in the Act for this purpose. So far only two products have been granted such exemption in India. These are safety match and newspaper.

#### 9.5.1.3 Unfair Trade Practices

Broadly speaking, any trade practice which is considered unfair and harmful to the consumer is an unfair trade practice. However, as defined under the MRTP Act, an unfair trade practice refers to any of the five trade practices specified under the Act<sup>3</sup>, which are adopted for the purpose of promoting the sale, use or supply of any goods or for the provision of any services, and which cause loss or injury to the consumer. Briefly stated, these practices are :

- a. Misleading advertising and false representation ;
- b. Advertising of bargain price (or bait advertising) and switch selling ;
- c. Offering of pseudo gifts or prizes and conducting of promotional contest, lottery and games of chance or skill ;
- d. Supplying of unsafe or hazardous products ; and
- e. Hoarding or destroying of goods, or refusal to sell goods, resulting in a price increase.

Unfair trade practices are said to be regulated by way of a cease-and-desist order passed by the MRTP Commission. Before passing such an order, the Commission is required to conduct a statutory enquiry into the alleged trade practice.

Barring minor deviations, the procedure for conducting the enquiry into an unfair trade practice and the consequences of the enquiry similar to those pertaining to restrictive trade practices.

Thus, the MRTP Act contains effective measures for the protection of consumer interest through the control of monopolistics restrictive and unfair trade practices in India and the MRTP Commission has been assigned an important role as a consumer protection agency.

#### 9.5.2 The Consumer Protection Act, 1986

The Consumer Protection Act, 1986 is the latest addition of the list of legislations for consumer protection in India.

The main objective of the Act is to make provisions for protection of the interest of consumers and to establish consumer protection councils and other authorities for the settlement of consumers' disputes.

The following types of matters are dealt with by the Consumer Protection Act :

1. Any defect in the goods bought by any person ;
2. Any deficiency in the services provide ;
3. Excessive price charged by any for any goods ;
4. Any loss or damage cause to a person as result of any unfair trade practice adopted by any trader.

##### 9.5.2.1 Defective Goods

Any grievance arising out of any defect in goods can be redressed under the Act. Defect means any fault, imperfection or short coming in the quality, quantity, potency, purity or standard which is required to be maintained by or under any law, such as the Bureau of Indian Standards Act, 1986 Agricultural Produce (Grading and Marketing) Act, 1937 or the Drugs and Cosmetics Act, 1940 or as claimed by the trader in any manner.

#### 9.5.2.2 Deficient Service

A service will be considered deficient when it has any fault, imperfection, shortcoming or inadequacy in the quality, nature, and manner of performance which is required to be maintained under any law or has been undertaken to be performed by the person concerned.

The scope of the term service is very wide. It covers services of all types such as banking, financing, insurance, transport, processing, supply of electrical or other energy, boarding and lodging, entertainment, amusement or the dissipation of news or other information. However, two types of services are excluded : service provided free of charge and free provided as an employee.

Thus many of those undertakings which were exempted from the regulatory measures of the MRTP Act have been included in scope of the Consumer Protection Act. These undertakings include State Electricity Boards, State Transport Corporations, Housing Boards, Railways, Telecommunication organisations, Banks, Life and General Insurance Corporations and Consumer Cooperative Stores. Now any consumer of these services can get his grievance redressed at the level of the appropriate consumer protection agency established under the Consumer Protection Act.

#### 9.5.2.3 Excessive Pricing

Complaints of charging excessive prices for the goods are quite common in India. Consumer Protection Act has come handy for the common man. If any trader charges more than the price indicated on the label, package or any advertisement or fixed under any law, like the Essential Commodities Act, he can be made accountable and get

hauled up by the aggrieved buyer.

#### 9.5.2.4 Unfair Trade Practices

Although the regulation of unfair trade practices is provided under the MRTP Act, but it is felt that the measures there were inadequate and often ineffective because of blanket exemption granted to public sector undertakings, cooperatives societies, etc.

The meaning of unfair trade practice used in the Consumer Protection Act is the same as used in the MRTP Act. The only difference in the provisions of the two acts for the regulation of unfair trade practices is that the unfair trade practices indulged in by large and dominant undertakings will continue to be governed by the MRTP Act. In other words, the unfair trade practices of undertakings other than the large and dominant undertakings can now be controlled either by the MRTP Commission or the consumer protection commissions/forums set up under the Consumer Protection Act.

#### Who can make a complaint?

The complaint before the consumer protection agency concerned can be filled by any of the following :

1. any consumer ;
2. any recognised consumers' association ; and
3. the Central Government or any State Government

#### Enforcement Machinery

The machinery provided for the enforcement of regulatory measures of the Consumer Protection Act is a three-tier one - set up at the District, State and the National levels. These bodies are known as :

1. District Consumer Disputes Redressal Forum  
(set up for each district).
2. State Consumer Disputes Redressal Commission  
(for each state).

3. National Consumer Disputes Redressal Commission ;  
( at the apex level ).

The District Forum entertains the complaints involving claims of loss, to which the price of the product and the compensation claimed.

The State Commission handles cases involving a claim of any amount between Rs. one lakh and ten lakhs.

The cases of claims exceeding Rs. Ten lakh go to the National Commission. These Commissions and Forums are statutory and high-powered bodies enjoying status of special types of courts. They work like civil courts. The orders passed by them have the backing and force like that of a court order.

If the District Forums/State Commission/National Commission is satisfied that the goods complained against suffer from the defect specified in the complaint or any of the allegations against the services are proved, it is empowered to direct the opposite party as follows :

- a) to remove the defect concerned
- b) to replace the goods with new goods
- c) to return to the complainant the price of the product or the charges of the services
- d) to pay such amount as may be awarded as compensation to the consumer for any loss or injury suffered by him.

Thus, the Consumer Protection act provides for the speedy, inexpensive and convenient redressal of consumer disputes.

9.5.3 Marketing of Drugs & Cosmetics in India

In order to protect the consumer against the unscrupulous and unethical practices of manufacturers and dealers of drugs and cosmetics, special legislative measures have been



provided in India. These provisions are contained in the Drugs and Cosmetics Act, 1940. The main objective of the Act is to prevent the supply of sub-standard drugs and cosmetics for the maintenance of standards of medical and health care.

The Act lays down the standards of quality for drugs and cosmetics. The act prohibits the import of (i) any drugs or cosmetics which is not of standard quality of (ii) any misbranded, adulterated drug and cosmetics. Similarly, the standards of quality have been laid down for the manufacture, sale and distribution of drugs and cosmetics. Manufacture, sale, and distribution of sub-standard misbranded, adulterated and spurious drugs and cosmetics is prohibited.

No person is allowed to manufacture, sell, stock, exhibit or distribute any patent or proprietary medicine unless there is displayed on the label or container the true formula or list of active ingredients contained in it, together with their quantities. Moreover, the information relating to the date of manufacture, batch number, maximum retail selling prices and direction for storage and use and necessary warning of dangers of improper use should also be given. For specified drugs, the date of expiry of use should also be indicated.

Furthermore, a license is required to manufacture, sell, stock, exhibit or distribute any drug or cosmetics.

The Inspectors appointed by the Central Government or a State Government have been given wide powers to inspect the premises and take samples of a drug or cosmetic.

Several penalties are imposed for offence under the Act.

9.5.4 The Prevention of Food Adulteration Act, 1954

In their greed to maximize their profits some unscrupulous and dishonest manufacturers can stoop so low as to adulterate the food articles with spurious substandard or even inedible foreign matter. Such practices are sought to be prevented and controlled through the law. The relevant legislation is Prevention of Food Adulteration Act (PFA) 1954.

No person is permitted to manufacture for store or distribute any adulterated food, any adulterant, or any article of food for the sale of which is prohibited by the Food Health Authority in the interest of public health. Similar restriction has been imposed on importing any adulterated food or any article of food in contravention of the provisions of the Act.

The Act also provides for the analysis of food articles through a public analyst who is appointed by the Central Government. Food inspectors have been empowered to take samples of any food article from any seller and send it for analysis to the public analyst. He can also prohibit the sale of any food article in the interest of public health with the prior approval of the local (Health) Authority. If the Local (Health) Authority is satisfied that the food article is unfit for human consumption, it may get the same destroyed after giving due notice to the vendor.

The adulterated food can be forfeited or got destroyed. Moreover, the person concerned shall be prosecuted.

No manufacturer or distributor or dealer in any food article is permitted to sell such article to any vendor unless he gives a warranty in writing about the nature and quality of each article.

The violation of the provisions regarding the prevention of food adulteration is punishable with imprisonment and fine.

9.5.5 The Standards of Weights and Measures Act, 1976

The basic objective of the Standards of Weights and Measures Act, 1976 is to establish standards of weights and measures to regulate the inter-state trade or commerce in weights, measures, and other goods which are sold or distributed by weight, measure or number. The major consumer protection measures under this Act are as follows :

(i) Establishment of standards of weights and measures :

Every unit of weights and measures is to be based on the units of metric system.<sup>1</sup> The various base units of weights and measures have been specified, e.g., metre for length, kilogram for mass, second for time, and ampere for electric current. The use of non-standard weights and measures has been prohibited.<sup>2</sup>

With the introduction of the metric system of weights and measures, it has become easier even for the average consumer to understand the various units of weights and measures and to make quick calculations while having dealings with dealers/distributors and thereby saving himself from the unscrupulous traders.

(ii) Verification and stamping of the weights and measures :

All the units of weights and measures are periodically verified to conform to the standards established under the Act and are stamped by appropriate authority. This is intended to provide further protection to the interest of the consumer by curbing the activities of unscrupulous or negligent dealers, who may resort to under-weighting and short-measuring.

The Director and the Inspector appointed under the Act have been empowered to enter, at any reasonable time, into any premises, and to search for inspect, and seize any weight, measure or package, subject to inter-state trade and commerce, and any relevant record, register or other document.<sup>3</sup>

(iii) Forfeiture of false or unverified weight and measures:

Every false or unverified weight or measure and every false package used in relation to any inter-state trade or commerce and seized under the Act is liable to be forfeited to the Government. However, such unverified weight or measure shall not be subject to forfeiture if the person concerned gets the same verified and stamped within the prescribed time.<sup>4</sup>

(iv) Prohibition of quotation, non-standard units of weights, and measures:

In the course of inter-state trade or commerce, the following have been prohibited, unless they are in accordance with the standard unit of weight, measure or number:

- a) quoting or making announcement of any price or charge ;
- b) issuing or displaying any price list, invoice, cash-memo or other document ;
- c) preparing or publishing any advertisement, poster, or other document ;
- d) indicating the contents of any package either on itself or on any label, carton or other thing ;
- e) indicating the contents on any container ; and
- f) expressing any quantity or dimensions.<sup>5</sup>

The Contravention of any of the above provisions entails a punishment with fine upto one thousand rupees. In the case of the second or any subsequent offence, the punishment provided is the imprisonment for a term of upto 3 years in addition to fine<sup>6</sup>.

(v) Conditions Governing the sale of commodities in packaged Form :

a) Every manufacture, distributor or dealer of any commodity, which is sold in packaged form, is required to declare conspicuously in the prescribed manner the following particulars :

1. the identity of the commodity in the package ;
2. the net quantity, in terms of the standard unit of weight or measure, of the commodity in the package ;
3. where the commodity is packaged or sold by number, the accurate number of the commodity contained in the package ;
4. the sale price per unit of the commodity in the package; and
5. the sale price of the package.

b) Every package must bear the names of the manufacturer and the packer or distributor.

c) The statement on the package or the label regarding the net weight, measure or number of its contents, must not include any expression which tends to qualify the weight, measure or number. However, the Central Government may, by rules, specify the commodities, the weight or measure of which is likely to increase or decrease beyond the prescribed tolerance limits by reason of climatic variations. In such a case, the manufacturer can qualify the statement regarding the net content of the commodity by the use of the words " when packed".

Unless specified exemption has been granted specifically

by the Central Government, no one is permitted to use the words "when packed" while indicating net weight.

d) Where the Central Government has reason to believe that there is undue proliferation of weight, measure or number in which any commodity is being packed for sale, distribution or delivery and such undue proliferation impairs the reasonableness of the consumer to make a comparative assessment of the prices after considering the net quantity or number of such commodity, the Government may direct the manufacturers, packers or distributors to sell or distribute or deliver the commodity in the prescribed standard quantity or number.

e) Whenever the retail price of a commodity in packaged form is stated in any advertisement, the advertisement must include a conspicuous declaration regarding the net quantity or the number of commodity contained in the package and the retail unit sale price.

f) No person is permitted to sell a package containing a commodity which is filled less than the prescribed capacity of the package except where it is proved that the package was so filled with a view to :-

- a) giving protection to the contents of the package, or
- b) meeting the requirements of machines used for filling the contents of such package.

g) The Central Government is empowered to specify the tolerances or variations in the net contents of the commodity in a package which may be caused by the method of packing or the ordinary exposure which may be undergone by such commodity after being introduced in trade or Commerce. The Central Government may also exempt any class of commodities or packages from the above requirements.

The failure to comply with any of the above requirements is punishable with fine, which may extend to five thousand rupees.

#### 9.5.6 Essential Commodities Act

One of the major problems before consumers in India is presented by the situation of spiralling prices and continuous shortage of certain essential commodities, like edible oils, vanaspathi, petrol, kerosene, sugar, tea, soaps, cement, steel and paper.

The legislative measures for overcoming the problem of shortage of essential commodities and their rising prices are contained in the Essential Commodities Act, 1955. The Act is intended to provide for the control of production, supply and distribution of, and trade and commerce in essential commodities with a view to safeguarding the interests of the general public.

The commodities which have been defined as essential commodities under section 2(a) of the Act are as follows :

- 1) Cattle fodder, including oilcakes and other concentrates ;
- 2) Coal, including coke and other derivatives ;
- 3) Component parts and accessories of automobiles ;
- 4) Cotton and Woolen textiles ;
- 5) Drugs as defined under section 3(b) of the Drugs and Cosmetics Act, 1940) ;
- 6) Foodstuffs, including edible oilseeds and oils ;
- 7) Iron and steel, including manufactured products of iron and steel ;
- 8) Paper, including newsprint, paperboard and strawboard
- 9) Petroleum and petroleum products ;
- 10) Raw cotton, whether ginned or unginned, and cottonseed ;
- 11) Raw jute ;
- 12) Any other class of commodity, declared by the Central Government as an essential commodity.

Under this provision, a large number of commodities have been declared as essential commodities by the Central Govt. such as drycell batteries, babyfoods, etc.

The interest of the consumer is to be protected under the Act by way of certain regulatory measures applicable to the production, supply and distribution of essential commodities. The major provisions relating to consumer protection are as follows :

- i) Availability and equitable distribution of essential commodities (Sec 3(1) and 3(2);
- ii) Fixing of Prices of essential commodities acquired by the Govt. (Sec.3(3);
- iii) Regulation of Prices of foodstuffs for sale to general public (Sec.3(3A) ; and
- iv) Appointment of authorised controller for undertaking producing or supplying essential commodities (Sec. 3(4) .

9.5.6 Availability and Equitable Distribution of Essential Commodities:

If the Central Government considers it necessary for maintaining or increasing supply of any essential commodities, or for securing their equitable distribution and their availability at fair prices, it may provide for regulation or prohibiting the production, supply and distribution thereof and commerce therein.

In particular, the Government order may provide for the following :

- a) Regulating by licences, permits or otherwise, the production or manufacture of any essential commodity
- b) Controlling the Price at which any essential commodity may be bought or sold.



- c) Regulating by licences, permits or otherwise, the storage, transport, distribution, disposal, acquisition, use or consumption of any essential commodity ;
- d) Prohibiting the withholding from sale of any essential commodity ordinarily kept for sale ;
- e) Requiring any person holding in stock or engaged in the production or in the business of buying or selling of any essential commodity to sell the quantity held in stock or produced by him to the Central Govt. or a State Govt. or any other specified officer ;
- f) Regulating or prohibiting any Transactions relating to food stuffs or cotton textiles, which are detrimental to the public interest ;
- g) Making entry, search or examination in respect of the following :
  - 1) Any article in respect of which there is reason to believe that a contravention of the order has been made ;
  - 2) Any aircraft, vessel, vehicle or other conveyance etc; used in carrying such articles, if there is reason to believe that the conveyance concerned is liable to be forfeited.

This is one of the most substantive provisions of the Act and gives wide powers to the Central Government. A number of orders have been issued by the Central Govt. from time to time as also by state govts. under the authority delegated to them under the Act.

9.5.6.2 Fixin of price of Essential Commodities being acquired by the Government :

The broad principles governing the payment of prices for the commodities acquired by the Central Govt. of any State Government are spelt out under the Act. The Government concerned has the discretionary powers in the matters relating to the fixation of price of an essential commodity when it is acquired by the Government. In such cases, the seller shall be paid the price of the commodity in the following manner :

a) Agreed Price : Where the price can be agreed upon by the Government and the seller, consistently with the controller price, if any, fixed under this section, the agreed price is to be paid.

b) Controlled Price : Where no agreement as to the price is reached ; the price calculated with reference to the controlled price is to be paid.

c) Market Price : Where there is neither an agreed price nor a controlled price, the price calculated at the prevailing market rate is to be paid.

d) Regulation of Selling Prices of Food Stuffs : The Central Government has been empowered to regulate the selling prices of foodstuffs in any locality. This can be done when the Central Government is of the opinion that it is necessary so to do for controlling the rise in prices, or preventing the hoarding, of any foodstuff in the locality. The prices shall be determined in accordance with the provisions of section 3(3A) of the Essential Commodities Act, 1955.

The basis of price fixation in this case will be the same as in the case of procurement of essential commodities by the Central Govt. except that of the market price. The

Market Price in this case shall be calculated with reference to the average market rate prevailing in the locality during the period of 3 months immediately preceding the date of the notification. Such an average market price prevailing in the locality shall be determined by an officer duly authorised in this behalf with reference to the publishing in the figures of the prevailing market rate in respect of that locality or of an adjoining locality. The market rate so determined shall be final and cannot be questioned in any court of law.

Section 3(3B) of the Act provides for the fixation of price for foodstuffs and edible oils acquired by the Government. Similarly, the rules relating to the fixation of fair price of sugar payable to the producer have been made under section 3(3C).

The purpose behind this provision is four-fold :

- i) To provide an incentive to increase the production of sugar.
- ii) To encourage an expansion of the industry.
- iii) To enable the cane producers to share profits of the industry through the cane prices higher than the minimum prices fixed ; and
- iv) To secure distribution of reasonable quantity of sugar to customers at fair prices.

#### 9.5.6.3 Appointment of Authorised Controller for supplying Essential commodities :

Where the Government is of the opinion that it is necessary so to do for maintaining or increasing the production and supply of an essential commodity, it may authorise any person to exercise necessary functions of control in respect of any undertaking engaged in the production and supply of the commodity.

An order made by the Government in relation to the foregoing matters shall have effect notwithstanding any thing inconsistent therewith, contained in any enactment other than this Act or any instruments having effect by virtue of any enactment other than this Act. Thus, an order issued by the Government under the Essential Commodities Act shall override any other law.

#### Penalty

The contravention of the above mentioned Government orders is punishable with fine and imprisonment upto one year. Moreover, any property in relation to which the order has been contravened alongwith the package and the vehicle, etc., shall be forfeited to the Government.

In order to prevent repetition of contraventions of regulatory provisions, the court is empowered to direct that the person repeatedly contravening the provisions for the control of production, supply, and distribution of essential commodities shall not carry on any business in essential commodities for a period of **at least** six months.

Penalty has also been provided for making of false statements or furnishing of false information. In case of offences by a company, the person incharge of the services shall be held liable for contravention of the order concerned unless he proves that the contravention took place without his knowledge or that he took all due measures to prevent such contravention.

Offences under the Act are cognizable. The Act also provides for summary trial.

## 9.6 Summary

Marketing and society has close interaction. If marketing is given credit for its social benefits and at the same time it is accused of its evil effects on the society and disregard for the consumer and the society. The neglect of consumer and society has led to the growth of consumerism which is reflected in the emergence of voluntary consumer associations and a number of legislations enacted by Indian Parliament, most significant among them being the Consumer Protection Act, 1986, the MRTP Act, 1969 the Prevention of Food Adulteration Act, 1954, the standards of Weights & Measures Act, 1976 the Drugs and Cosmetics Act, 1940 and the Essential Commodities Act, 1955.

## 9.7 Review Questions

### (a) Short-answer type questions

1. List the major criticisms against marketing.
2. Name the major central legislations which regulate marketing activities.
3. Name four consumer protection bodies set up under law.
4. Name the five types of trade practices which are termed unfair trade practices.
5. Name the four grounds (bases) on which the MRTP Commission can initiate an enquiry into a restrictive trade practice.
6. Name any five commodities, which are designated as essential commodities.

### (b) Essay-type questions

1. "Marketing has profound impact on society". Do you agree? Discuss.
2. Explain the legislative measures for control of marketing activities in India.
3. Analyse and explain the recent consumer protection measures introduced in India.

4. Explain how the consumer is sought to be protected from unscrupulous business practices of food, drugs & cosmetics industry.
5. Explain the role of 'the MRTP Commission' in the protection of consumers.

(c) Project Work

Carefully check a few advertisements of consumer products appearing on TV and in newspaper. Suppose after one such product you find that you have been misled or deceived by the advertiser in so far as the quality of the product was faulty and had manufacturing defect leading to accident or injury.

Write a complaint addressed to the President of the Consumer Disputes Redressal Forum of your district, stating clearly what remedy you are seeking.

COURSE CONTENT.

CLASS XI - FIRST YEAR

PAPER I - ELEMENTS OF MARKETING

- Unit 1 : Introduction : Nature and scope of Marketing ; Importance, Functions, Difference between Marketing and selling ; Marketing concept (including societal approach) ; Customer orientation in the context of sales operations.
- Unit 2 : Selling in the Indian context : General characteristics of the Indian marketing environment - economic, social and cultural factors ; Consumerism, challenges of change in the marketing environment and need for demand creation in the context of emerging buyers' market situation ; Characteristics of consumer, industrial and service markets in India.
- Unit 3 : Marketing mix : Product - marketing mix, product classification - consumer goods, consumer goods, convenience, shopping and specialty goods etc; Branding Packaging; Concept of Product Life Cycle; Physical Distribution - Warehousing, Transportation; Pricing - Setting prices in practice; Promotion - Importance and difference between various promotional tools.
- Unit 4 : Channels of Distribution : Importance of Distribution ; Meaning and Function of Channels of distribution ; Channels of distribution for consumer and industrial goods ; Role of middlemen ; Types of middlemen.
- Unit 5 : Marketing Information : Importance of marketing information; sources and methods of collection of data regarding sales, competitive situation, prices, promotion

and distribution aspects; Organizing and arranging information for improving sales.

Marketing and Society : Social aspects of marketing; objections against Marketing; Consumerism; Provisions of the MRTP Act, The Consumer Protection Act, The Drugs and Cosmetics Acts, The Prevention of Food Adulteration Act, The Standards of Weights and Measures Act; and The Essential Commodities Act.

### PRACTICALS

1. Visit market and list out available brands of selected consumer products (such as soap, toothpaste, cigarette, shaving blades, table salt, edible ghee/oil, Electric bulbs, electric cooling fans, Refrigerator, Cycle etc.) and classify them into different categories such as durable and non-durable, Convenience, shopping and specialty etc. This may be followed by a group discussion on the role of each category of the product.
2. Visit to some Retail Establishment to observe the channels through which selected consumer products (a list may be developed by the students) reach ultimate consumers. This may be followed by a group discussion on the role of various intermediaries in marketing of goods.
3. Visit to the office of a manufacturer of some consumer/industrial product to observe the distribution channels used by him and his products available to the buyers.



4. Exercises in identifying distinguishing features of the packages (containers) of few competitive brands of consumer products followed by group discussion on their plus and minus points, and making suggestions for improvement, if any.
5. Students may be required to observe important features of the sales promotion schemes (such as sales contests, free gifts, coupons, economy packs, special discounts etc.) being run for some consumer product in the market, by visiting the market/scanning the advertisements in newspapers/Radio/TV.
6. Pupils may be asked to observe different ways in which a given product (of their choice) is being promoted in the market. This may be followed by a group discussion on the subject.
7. Collection of data on prices; customers' profiles (age, occupation religion, education, income, social background etc.) in respect of some of the competitive brands of specified product (say instant soups, cigarette tea leaves, etc.) with the help of a questionnaire administered to a select number of retailers/consumers.

Workshop for the Development of Text Book in Marketing  
and Entrepreneurship held at Productivity House, NPC, New Delhi  
from 15th to 17th October, 1980.

\*\*\*\*\*

### LIST OF PARTICIPANTS

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07. Shri V.K. Nair  
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Dr. B. Bhattacharya  
Secretary

## Appendix II

Workshop for the Development of Text Book in the Area  
of Marketing and Salesmanship held at Udaipur, from  
20-27 January, 1990.

### List of participants

01. Dr. R.K. Grover  
50, Vaishali  
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02. Prof. R.K. Kulkarni  
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University of Delhi, Delhi-110 007.
07. Dr. P.K. Srivastava  
Associate Professor  
Department of Business Administration  
Faculty of Commerce and Management Studies  
M L Sukhadia University, Udaipur, India.
08. Dr. P.K. Jain  
D.A.V. College, Delhi University  
Nehru Nagar, Delhi.
09. Dr. M.K. Singh  
Dean and Head  
Department of Commerce and Management  
Studies, Sukhadia University, Udaipur  
Rajasthan.
10. Dr. Divinder K. Virdi  
Reader in Commerce, DVE, NCERT  
New Delhi- 110 016.

Workshop for the Development of Textbook Material  
for the Training and Diplomship of Teachers  
in the USSR from 16-21 May, 1966.

• • • • •

U.S. DEPARTMENT OF THE ARMY  
OFFICE OF THE CHIEF OF STAFF

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[illegible]

02. Dr. K. P. Singh  
Head, Department of Management Studies  
Central University, Udaipur  
Rajasthan.

2nd. U. S. Army, 1st Cavalry Division  
Fort Ord, California  
The School of Air Cavalry  
The Infantry School, Fort Benning, Georgia

[illegible]

10. The following information is for your information:

[illegible]

1000 1111 1212 1313 1414 1515 1616 1717 1818 1919 2020 2121 2222 2323 2424 2525 2626 2727 2828 2929 3030 3131 3232 3333 3434 3535 3636 3737 3838 3939 4040 4141 4242 4343 4444 4545 4646 4747 4848 4949 5050 5151 5252 5353 5454 5555 5656 5757 5858 5959 6060 6161 6262 6363 6464 6565 6666 6767 6868 6969 7070 7171 7272 7373 7474 7575 7676 7777 7878 7979 8080 8181 8282 8383 8484 8585 8686 8787 8888 8989 9090 9191 9292 9393 9494 9595 9696 9797 9898 9999

10. The following is a list of the names of the persons who have been identified as having been involved in the activities of the group:

Dr. William J. Bennett  
U.S. Department of Education  
Washington, D.C.  
(Director, Office of Management Studies  
and Policy Development)

[illegible]

Questionnaire for Collecting Opinion of  
Teachers, Experts and Students on each  
Textbook on 'ELEMENTS OF MARKETING'.

Dear Teacher/Expert,

We are happy to place Volume II of the textbook on  
'Marketing and Salesmanship' at your disposal with the hope  
that it will help your students acquire needed knowledge for  
the vocation of salesmanship.

The book has been developed according to the revised  
NCERT syllabus of 1989. As this is an experimental edition,  
we intend to get your feedback on various aspects. For this  
purpose, two questionnaires are appended. You are requested  
to send your opinion for the improvement of the book by filling  
the first questionnaire yourself and mailing it to us at the  
following address. Also attach this questionnaire for the  
students. You are requested to get it filled by a student  
who are undergoing their training in this course.  
Additional sheets of paper may be used if the space provided  
for is insufficient.

Dr. Davinder K. Singh  
Reader in Commerce  
Department of Vocational  
Education  
National Council of  
Research and Training  
Sri Aurobindo Road  
New Delhi-110017

Questionnaire for Teachers/Experts

i. Personal Information

1. Name of the Teacher/Expert

2. Educational qualifications (Please tick the appropriate).

- i. B.Com
- ii. M.Com
- iii. MBA (Specify your specialisation,
- iv. B.Com. + other professional qualification  
(C.A./LLB/ICWA)
- v. Any other (Please mention).

3. Research experience

i. In the area of Marketing  
and Salesmanship

\_\_\_\_\_ Yes,

ii. In other areas

\_\_\_\_\_ Yes.

4. Professional Experience (In some  
industry/office; please mention  
post held and the nature of work).

\_\_\_\_\_ Yes.

5. Postal address of the institution where presently  
serving.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

6. Published work (books/articles), if any,  
(Please give details).

II. Views about the book

7. (i) Do you feel the present book is for a useful purpose? Yes/No.

(ii) If yes, please mention in what respect is it helpful to yours. If not to the students.

(iii) a. Would you like to recommend this book to your students? Yes/No.  
b. If 'no' please give reasons.

8. What is your opinion about the language of the book? Please tick the appropriate.

(a) It is simple and easily understood.

(b) It is difficult for the students to understand themselves.

(c) It is OK but there is a scope for improvement, (please specify).

9. Which chapter of the book do you like the best? Please specify and give reasons.

10. Which chapter of the book do you like the least? Please specify and give reasons.

11. Did you notice any concept/expression/ sentence which do not carry precise meaning or which needs further elaboration ? If yes, please give details.

Page No.                      Expression/Sentence                      Suggestion

12. Do you feel the contents of the book give adequate 'knowledge' to the students in the area of 'salesmanship'.

Yes/No

If 'No', give the chapters which need modifications/ thorough revision (Please give detailed suggestions).

Chapter/Page No.

Suggestions

13. Would you like any chapter to be included in the book or excluded from it? Please specify.

14. Did you notice any inaccuracies/discrepancies in the diagrams/illustrations given in any chapter of the book ? Please mention.

Page No.

Suggestion



15. Please give your overall opinion and suggestions about the book for its improvement.

16. i. Would you like to be associated with the improvement/modification of this book? Yes/No
- ii. If yes, please specify in what way would you like to be associated?
- (a) Revising/rewriting a chapter Yes/No
- (b) Improving diagrammatic presentation/illustrations ( If yes, please specify the chapters). Yes/No
- (c) Translation of the book in local language. Yes/No
- (d) Any other way (Please specify).

Questionnaire for Students

Personal Information

1. Name

2. Name and address of your school/college

3. Title of instruction

Views about the book

4. Do you feel the contents of the book are adequate?

Yes/no

If 'No', would you like that some chapters should be included/excluded from the text? Please specify.

Chapter

Suggestion

5. Which chapter of the book do you like the most? Please specify and give reasons.

Chapter

Suggestion

6. Which chapter of the book you like the least? Please specify.

Chapter

Suggestion

4. Which chapter(s)/concept(s) explained in the book do you feel are too concise and should be described in greater details? Please mention.

Chapter

Suggestion

5. Which other chapters do you feel need improvement? Please specify.

Chapter

Suggestion

6. What is your opinion about the language of the book in general? Please tick the appropriate.

- i. It is simple and understandable;
- ii. It is difficult for the students to understand themselves;
- iii. It is OK but there is a scope for improvement.